Cabinet - 13th February 2013

Capital Programme 2013/2014 and Treasury Management Policy and Strategy 2013/2014, including Prudential Indicators for 2013/2014 to 2015/2016.

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of the Report

1.1 To update Cabinet on the level of capital resources and commitments for the forthcoming financial year and seek a recommendation to Council to the overall Capital Programme 2013/2014 and the Treasury Management Policy and Strategy for 2013/2014 (including both borrowing and investment strategies) and to set the Prudential Indicators for 2013/2014 to 2015/2016.

2. Description of Decision

2.1 Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2013/2014
- the Treasury Management Policy and Strategy for 2014/2015 (including specifically the Annual Borrowing and Investment Strategies)
- the Prudential Indicators for 2013/2014 to 2015/2016
- the Minimum Revenue Provision Statement for 2013/2014.

3. Capital Programme 2013/2014

General

3.1 The proposed Capital Programme for 2013/2014 is again strong and positive and reflects both the drive to deliver on the aims and priorities set out in the Economic Master Plan as well as the Council's increasingly commercial approach to secure capital investment in the City in order to secure growth and jobs. The total programme proposed amounts to £110.913m as set out below:

	Capital Programme 2013/2014
	£m
Children's Services	7.566
Transport	41.270
Health, Housing and Adult Services	6.211
Other Services	55.866
Total	**110.913**

3.2 Members will be aware that the Council has committed resources towards a substantial capital programme spanning a five year period. Therefore the 2013/14 programme reflects ongoing capital scheme commitments from previous years of £85.108m and new starts of £25.805m. The major elements of ongoing capital commitments anticipated to be spent in 2013/2014 are outlined in the table below.

	Capital Commitments into 2013/2014
	£m
Children's Services	6.313
SSTC/New Wear Bridge	35.282
Other Transport Schemes	0.927
Washington Managed Workspace	4.940
St Mary's Boulevard & Magistrates Square	5.974
City Centre Developments	2.000
Strategic Land Acquisitions	1.350
Seafront Developments	1.220
Roker Pier and Lighthouse	0.814
Area Renewal Schemes	2.388
Washington Leisure Centre	3.000
Football Investment Strategy	1.214
Property Planned Capital Maintenance	1.200
Old Sunderland Townscape Heritage Initiative	0.996
Provision for Economic Development	0.800
Other Capital Schemes	6.890
Capital Contingencies	9.800
Total	**85.108**

The details of the full Capital Programme for 2013/2014 are included as Appendix 2 and the proposed new starts are set out in Appendix 1. The rest of this section of the report covers proposals for new starts in more detail.

Resources Available for new Starts

Resources - Grants

3.3 As reported to Cabinet in January 2013 resources have been allocated for the main programme areas of Children's Services, Adult Services, Highways, and Housing on the basis of their specific government funding approvals and other service specific resources.

The table below details Government Grants announced for 2012/2013 onwards with provisional settlements announced beyond 2013/2014.

	2012-13 £000s	2013-14 £000s	2014-15 £000s
Highways Capital Maintenance *	2,919	3,397	3,052
Highways Integrated Transport	2,141	2,141	3,011
Local Sustainable Transport Fund	236		
Better Bus Fund	420		
Nexus - Public Transport	188	187	
Total Transport	**5,904**	**5,725**	**6,063**
Education Capital Maintenance	3,177		
Education Basic Need	1,635		
Schools Devolved Funding	726		
Two Year Old Offer**		553	
Total Education* **	**5,538**	**553**	
Department of Health	**845**	**843**	**860**
CLG – Disabled Facilities Grant*****	**1,782**	**1,417**	
Total Government Grants	**14,069**	**8,538**	**6,923**

* The Highways Capital Maintenance Grant includes additional one off funding of £0.804m (£0.520m in 2013/2014 and £0.238m in 2014/2015) allocated in the Chancellor's Autumn Statement on 5th December 2012, for which the Council must publish a short statement on its website at the end of each financial year setting out what and where this additional funding has been spent and how it has complemented planned highways capital expenditure.

** The Government awarded the Council a 'Two Year Old Offer' grant in late 2012 in order that early years providers can adapt their premises to create additional age-appropriate accommodation. Expenditure will take place in 2013/2014.

*** In addition the Department for Education had announced funding of £1.221m in 2012/2013 for which Voluntary Aided schools will have direct responsibility.

**** The 2013/2014 Disabled Facilities Grant has been estimated based on the initial allocation for the 2012/2013.

Resources – Capital Receipts

3.4 There has been a significant drop in value and market interest since the economic downturn. To mitigate this impact the Council has adopted an incremental (but prudent) approach of undertaking more prudential borrowing to fund capital schemes where ongoing costs are affordable and sustainable.

In line with previous decisions of Cabinet, the position in relation to marketing of sites will be kept under review and sites marketed when appropriate. At this stage no receipts are estimated to be taken into account to support the programme.

Resources – Revenue

3.5 To support the Other Services Block new starts an assessment has been made of the capital programme and a range of potential sources of funding including:

- Revenue budget and potential savings;
- Reallocation of existing reserves.

When assessing resources available for the capital programme in 2012/2013 the Council allocated £3.570m in 2012/2013 and £2.570m for each of the following 4 years. After reviewing the above and taking into account capital commitments and resources earmarked for specific purposes there are no additional revenue resources available to support new starts in 2013/2014 at this stage.

Resources – Borrowing

3.6 In addition to the above the Council has some flexibility in funding its capital programme through the use of prudential borrowing.

The budget includes prudent provision for capital financing charges that may arise from an additional £17.481m of prudential borrowing in 2013/2014 and £25.781m over the four year period to 2016/2017. However, it is important to note that much of this investment is anticipated to be recouped through commercial arrangements over time and some investments are linked to the generation of savings to support the revenue budget. In addition some areas of funding will be subject to grant funding and funding bids which are being developed. This position will therefore continue to be prudent, affordable, and sustainable into future years and within overall limits whilst still retaining flexibility.

Detailed Proposals for New Starts and Capital Programme 2013/2014

3.7 Since the January 2013 Cabinet meeting, consultation with the appropriate Cabinet Portfolio Holders has been undertaken on priorities for new starts taking into consideration available resources. The table below sets out a summary position for 2013/2014 in respect of new starts and continuing commitments. Full details of all proposed new capital projects to be included in the Council's 2013/2014 capital programme are detailed in Appendix 1. Education capital funding for 2013/2014 onwards has not yet been allocated by Government and therefore actual grant awarded will be added to the capital programme and reported to Cabinet once details become known.

In drawing up the Other Services capital programme new starts for 2013/2014 account was taken of the investment priorities to support meeting Economic Masterplan aims which support regeneration, service and community priorities whilst harnessing commercial opportunities. The following major schemes are proposed as new starts in respect of the capital programme for 2013/14 with further details set out in Appendix 1.

Project	Total Capital Programme £m	Spend 2013/2014 £m
Economic Masterplan Stimulus	5.000	0.500
Community Infrastructure Improvements	2.500	2.500
Property Rationalisation Works including Community Equipment Store relocation	1.000	1.000
Old North Pier Technical Investigation	0.150	0.150
Flood & Extreme Weather Mitigation Works	1.630	0.630
Crematorium Improvements	0.140	0.140
Herrington Park Infrastructure	0.150	0.150
Houghton Cut Safety Works	0.030	0.030
Waste Transfer Station	5.651	5.651
Port Infrastructure & Invest to save works	6.730	4.230
Children's Services Initiatives	0.700	0.700
Libraries Redesign	0.500	0.500
Parks Improvement Programme	3.000	0.000
Transport Schemes	14.142	4.021
Housing and Adults Schemes	10.361	3.150
Children's Services Two Year Old Offer	0.553	0.553
Capital Contingencies	1.900	1.900
	54.137	**25.805**

The recommended Capital Programme is included in full as Appendix 2 to this report.

Further Reports

3.8 In accordance with the Council's Constitution, prior to commencement of projects, details of all new schemes must be subject to a full capital investment appraisal. Those schemes with an estimated cost in excess of £250,000 must be reported for approval to Cabinet whilst for those schemes below £250,000 consultation must take place with the relevant Cabinet Portfolio Holder in advance of delegated decisions being taken to implement these schemes.

4. Prudential Framework and Code

4.1 One of the principal features of the Local Government Act 2003 is to provide the primary legislative framework to introduce a prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code issued and maintained by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code was reported to Council in March 2004.

4.2 Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities are free to invest as long as their capital spending plans are affordable, sustainable and prudent. This allows the Council the freedom to manage and control its capital programme and how it is financed. The key elements of control and management of capital finance are through:

- capital expenditure plans – the Council's Capital Programme;
- external debt - how the Council proposes to fund its Capital Programme;
- treasury management – the management of the Council's investments, cash flows, banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks.

4.3 All authorities must follow the latest prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process. The prudential and treasury management indicators have been prepared for the financial year 2013/2014, taking into account all matters specified in the code. Regular monitoring will take place during the year and reports made to Cabinet to show the council’s performance and compliance with these indicators as part of the quarterly capital review reports as appropriate.

4.4 All of the indicators together with background information to these indicators and what they are seeking to assess, are detailed in Appendix 3 in full compliance with the code.

4.5 In addition regulations came into force on 31st March 2008 revoking secondary legislation to make a Minimum Revenue Provision (MRP) charge to the revenue account for the repayment of debt associated with expenditure incurred on capital assets. The legislation was replaced with a new duty for local authorities to set, each year, an amount of MRP it considers prudent. It also recommends that an annual statement of its policy on making a MRP in respect of the following financial year is submitted to full Council for approval.

4.6 The recommended Minimum Revenue Provision Statement for 2013/2014 for the Council is set out in Section 1.10 a) to d) of Appendix 4.

5**.** **Treasury Management**

5.1 **General**

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

5.2 **Statutory requirements**

The Local Government Act 2003 (the Act) requires the Council to adopt a Treasury Management Policy Statement (detailed in Appendix 5) and to set out its Treasury Management Strategy comprising the Council's strategy for borrowing and the Council's policies for managing its investments, and giving priority to the security and liquidity of those investments (set out in Appendix 6).

The Department of Communities and Local Government issued revised investment guidance which came into effect from 1 April 2010 and the Charted Institute of Public Finance and Accountancy (CIPFA) updated its Treasury Management in the Public Services Code of Practice in November 2011. The Council has adopted and follows all of the recommendations contained in the CIPFA Code of Practice.

5.3 **CIPFA Code of Practice requirements**

The CIPFA Code of Practice on Treasury Management has been fully adopted by the Council.

The primary requirements of the Code are as follows:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
   - suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement is detailed in Appendix 5 and the TMP's follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments which are minor in nature do not result in the Council deviating from the Code's key principles.

2. The Council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year ahead, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.

3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director of Commercial and Corporate Services, who acts in accordance with the organisation's Policy Statement, TMP's and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Council's Audit and Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5.4 **Treasury Management Strategy for 2013/2014**

5.4.1 The Treasury Management Strategy comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments and for giving priority to the security and liquidity of investments.

5.4.2 There are no major changes being proposed to the overall Treasury Management Strategy in 2013/2014 which maintains the careful and prudent approach adopted by the Council in previous years. Particular areas that inform the strategy include the extent of potential borrowing included in the Council's capital programme, the availability of borrowing, and the current and forecast global and UK economic position, in particular forecasts relating to interest rates and security of investments.

5.4.3 The proposed Treasury Management Strategy Statement for 2013/2014 is set out in Appendix 6 and is based upon the views of the Executive Director of Commercial and Corporate Services, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Sector Treasury Services.

5.4.4 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. The Council's current average rate of borrowing at 3.51% is low in comparison with other local authorities whilst the current rate earned on investments at 1.89% is higher than the benchmark rate. Market conditions are also under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. **Reasons for Decision**

6.1 To comply with statutory requirements.

7. Alternative Options

7.1 No alternative options are proposed.

8. Impact Analysis

8.1 Impact assessments will be undertaken by Directorates to ensure programmes are delivered within budget.

9. List of Appendices

9.1 Appendix 1 - Capital Programme 2013/2014 New Starts
Appendix 2 – Capital Programme 2012/2013 to 2016/2017
Appendix 3 – Prudential and Treasury indicators 2013/2014 to 2015/2016
Appendix 4 – Minimum Revenue Provision Policy Statement 2013/2014
Appendix 5 - Treasury Management Policy Statement
Appendix 6 – Treasury Management Strategy Statement for 2013/2014

Appendix 1

Capital Programme 2013/2014 – New Starts

1.0 Children's Services Capital Proposals 2013/2014

1.1 The Council has not been informed of 2013/2014 capital allocations for Education Services. These are anticipated to be released in late January 2013.

Details of the grant allocations for Sunderland in 2012/2013 are set out in the table below for information.

	2012/2013 Allocation £'000
Education – LA Block	
Capital Maintenance	3,177
Basic Need	1,635
	4,812
Schools Block	
Local Authority Devolved Formula Capital (Standards Fund)	726
Local Authority Voluntary Aided Devolved Formula Capital (Standards Fund)	222
Local Authority Co-Ordinated Voluntary Aided Programme	999
	1,947
All Capital Approvals	**6,759**

1.2 Proposals for Children's Services Capital Programme New Starts 2013/2014

1.2.1 The funding allocation for 2013/2014 had not been announced at the time this report was written. Details below show proposals that will be finalised once 2013/2014 grant awards are known. The voluntary-aided sector is allocated a share of grant funding based on pupil numbers, and reflecting the governors' 10 per cent contribution and eligibility for VAT for Capital Maintenance. Funding is held back centrally for academies which means that there is no call on the capital maintenance funds allocated to Local Authority schools.

Priority Schools Building Programme - £750,000 projected

1.2.2 In October 2011 the Council submitted bids for five schools (2 secondary and 3 primary schools) to the Priority Schools Build Programme (PSBP). Cabinet approved the submission on 5th October 2011. Schools in the programme can be funded in one of two ways. Either through Direct Grant or through a Private Finance Initiative (PFI) with the schools split in to 'Batches' to reflect the funding stream they are to access. Sunderland has one school (Usworth Grange Primary School) to be funded through the Direct Grant with the remaining four schools (Shiney Row Primary School, Hylton Castle Primary School, Hetton School and St Anthony's RC VA School) funded through PFI. These schools have been identified as in the worst condition and in greatest need of capital redevelopment. All schools will be new builds.

1.2.3 For those schools in the PFI 'Batch', there is a requirement that Schools must accept being part of a long-term (approximately 27 year) private finance arrangement including Hard / Soft Facilities Management (FM). This includes a requirement for schools to make a contribution to the annual revenue payment. The cost per square metre is to be determined but it is currently estimated that the increased facilities management requirement involved in the programme is likely to cost an additional £200,000 per annum for a secondary school and for an average sized primary school £60,000 revenue spend per annum (there will be no additional contractual FM requirement made of Usworth Grange Primary School). As it would be extremely difficult for individual schools to meet this additional cost pressure an alternative way of funding the shortfall for the schools involved would be an increased allocation from the overall Dedicated Schools Grant (DSG). This would be an additional call on the DSG which would be effectively 'top-sliced' before schools receive their individual allocations. The Schools Forum agreed this proposal in principle at its 15th September 2011 meeting. However proposed changes to the schools funding formula means that the mechanism to do this must be revisited, although the principle is still in place.

1.2.4 It is proposed that 'setting up allowances' for furniture and ICT infrastructure are provided to the maintained schools in the programme through the Children's Services Capital Programme. These are not covered through PFI funding and will be funded by Capital Maintenance and/or Basic Need grants. The amount proposed is £300,000 for Hetton School and £150,000 for each of the three primary schools within the programme.

1.2.5 The DFE had anticipated the procurement process for the PFI batch of schools would commence in Spring 2013. However, this will now be subject to some delay with the eventual procurement process, once commenced, running for an estimated 15 months. The DFE have informed the Council that this delay does not apply to Usworth Grange Primary School for whom procurement should run to schedule. The PFI Batch delay may lead to further unplanned repairs being required on the existing school sites. However it is not anticipated that these sites will be subject to any major capital works in advance of the schools moving to their new buildings.

Basic Need

1.2.6 Sunderland City Council remains the responsible body for the city's Basic Need funding. This funding is for all publicly funded schools in the city (including Academies and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places are can be provided where needed.

1.2.7 The Council, working with partners has identified the following works as priority for the 2012/2013 – 2013/2014 funding cycle

Hylton Red House Primary School/ Hylton Red House Nursery - £570,200 in 2013/14

1.2.8 The proposed merger between Hylton Red House Primary School and Bishop Harland CE VA Primary School (subject to School Organisation Committee of Cabinet approval in January 2013) will lead to approximately 180 additional pupils accessing the Hylton Red House school site and a further 26 pupils requiring places at the nursery. There will be a capital requirement in order to accommodate the new pupils. The site will house a new Church of England Voluntary Aided School from September 2013 (based within the existing Hylton Red House Primary School Building).

1.2.9 Council conditioning survey's (November 2012) identified that the work required on the main school site to service areas such as structure and fabric, electrical, technical, heating and mechanical and suitability and sufficiency would cost an estimated £330,200 of capital works. This would address the immediate priority areas in the school pre-reorganisation. In addition to this a further £30,000 – £40,000 has been identified to adapt the site entrance to segregate children from vehicles, increase on site safety and to cater for the increased anticipated footfall.

1.2.10 A further estimated £200,000 has been projected in order to increase the accommodation at Hylton Red House Nursery so as to accommodate the children who will transfer for the existing Bishop Harland CE VA Primary School nursery provision.

1.2.11 This funding is to be further complimented by £450,000, committed by the Durham Diocesan Board of Finance and the Governors at Bishop Harland CE VA and Hylton Red House Primary School. This would provide approximately £820,200 for development of the new school and £200,000 for development of the Nursery

Barbara Priestman Special School - £650,000 in 2013/14

1.2.12 Barbara Priestman Special School has been identified as having significant capacity issues. The Council has evaluated the capacity required by the school to house the current number of pupils on roll (120) against both the PSBP floor space ratio and the previous net capacity evaluation tools used under BSF. On both occasions the class space available has been identified as insufficient to meet the current needs of the school.

1.2.13 To increase the school footprint to meet current space standards the existing school footprint will need to undergo both extension and alteration. The Council is proposing that this occurs in three phases. Phase 1 involves the creation of a new teaching block for pupils aged 16-19. Phase 2 and 3 would involve a series of internal alterations and adaptations to the existing estate in order to provide additional class bases and greater teaching space for up to 80 pupils aged 11 – 16.

1.2.14 The estimated value for the full scale of works at Barbara Priestman is £1,800,000. Given the impact that this would have on the wider Basic Need budget it is proposed that Phase 1 is completed during 2013/2014 through Basic Need funding with further discussions with the Ascent Academies Trust identifying the funding relationship and process for any additional phases of the programme. The value of Phase 1 is estimated at £650,000

Pupil Planning

1.2.15 In addition to the proposed works at Hylton Red House and Barbara Priestman School the Council is assessing those localities where pupil projections have indicated potential capacity problems. Particular focus is being given to primary places in parts of the Coalfields, Washington and West Sunderland as well as voluntary aided RC primary places. There is currently no identified need for further secondary investment using Basic Need.

Asset Management - £2,750,000 Projected in 2013/14

12..16 The Council is committed to carrying out an ongoing set of improvements across the maintained educational estate in the City. Academies and Voluntary Aided Schools are not eligible for Asset Management and Essential Conditioning funding held by the Council.

1.2.17 The priority for Children's Services is health and safety, keeping buildings wind and watertight, and thereby avoiding school closures. A contingency sum is therefore also required to address the numerous ad-hoc situations that arise in schools year on year. To achieve this an ongoing refurbishment programme is place focusing on the following areas:

- Window replacement
- Fire detection systems
- Boiler/ heating replacement
- Roofing works
- Asbestos removal
- Lighting renewals

1.2.18 In lieu of receipt of The Council's Capital Allocation for 2013-14 the assumption has been made for planning purposes that the allocation will remain relatively static. To that end it has been estimated that a minimum of £2,750,000 will be delegated against the ongoing improvement to the Sunderland's capital estate.

Nursery Place – Free Nursery Provision for Disadvantaged 2 Year Olds

1.2.19 Sunderland City Council has been provided a capital allocation of £552,914 in order to enable the expansion of existing local nursery sites in order to deliver the offer of 15 hours per week free Nursery provision to disadvantaged 2 year olds. Children's Services are in the process of identifying the scale of works required in order to deliver the 2 year old offer.

1.2.20 For a number of years Children's Services has relied upon temporary borrowing in lieu of capital receipts to support investment in new school builds. This is not sustainable moving forward and £1.000 million has been repaid from 2011/2012 funding allocations with £0.250 million allocated on an ongoing basis until repayments have been made (pending further government announcements concerning future capital allocations).

1.2.21 Devolved Formula Capital to schools which reduced by 75% in 2011/2012 is expected to remain at this level in 2013/2014.

2.0 Highways Capital Proposals 2013/2014

2.1 The Department for Transport (DfT) announced LTP allocations on 29th March 2012 for 2013/2014 and 2014/2015 which are set out below. The DfT also announced on 18th December 2012 additional allocations for Highways Maintenance for 2013/2014 and 2014/2015 which are included in the table below. In addition the Council receives a contribution from Nexus Allocation towards public transport initiatives.

2.2

	2012-13 £000s	**2013-14 £000s**	**2014-15 £000s**
Government Grants			
Highways Capital Maintenance	2,919	3,397	3,052
Highways Integrated Transport	2,141	2,141	3,011
Nexus Allocation	188	187	
Other Funding	1,000	1,000	1,000
Total Transport	**6,248**	**6,725**	**7,063**

Proposals for Highways Capital Programme New Starts 2013/2014

2.2.1 Both the Highways Capital Maintenance and Integrated Transport funding blocks are calculated through a needs-based formula and in Metropolitan Areas is allocated to the Integrated Transport Authority (ITA) in that area. It is up to the ITA to distribute funds to constituent authorities in their area and, in consultation with Districts they have agreed the allocations included in the table above.

2.2.2 The proposed capital programme for 2013/2014 and future years, excluding funding of the central transport team for Tyne and Wear and for ongoing commitments in relation to land costs associated with Southern Radial Route and New Wear Crossing, will leave £4.820m to support the following priorities

- the structural maintenance of highways and bridges – £2.761m.
- economic development and regeneration by managing congestion; support safe and sustainable communities by improving Road Safety and, improving access; address climate change by promoting sustainable travel - £1.872m
- public transport initiatives - £0.187m

3.0 Health, Housing and Adult Services Capital Proposals 2013/2014

3.1 The Council now receive a single Department of Health (DoH) capital grant on the basis of social care Relative Needs Formula. The allocation to Sunderland was £0.848 million in 2012/2013 and will be £0.843 million in 2013/2014 and £0.860m in 2014/2015. The grant is not ring fenced but is expected to be used to support three key areas which comprise of personalisation, reform and efficiency.

3.2 The amount of Disabled Facilities Grant for 2013/2014 is not anticipated to be announced until mid-February 2013 however CLG have confirmed that they will protect the overall level of DFG available nationally and it is anticipated the Council will receive a similar level to the initial £1.417m received in 2012/2013. The DFG grant is not ring fenced but is expected to be used to support individuals being able to remain in their own properties for as long as possible in a safe and secure environment.

The Council has an ongoing Area Renewal programme that will continue to be funded from Homes and Communities Agency grant received in advance.

3.3 Proposals for Health, Housing and Adult Services Capital Programme New Starts 2013/2014

A summary of the proposals proposed for inclusion in the 2013/2014 capital programme :

	£'000
Disabled Facilities Grant	2,346
Improvements to Care and Support	150
Document Management System	25
Reablement Services	629
Total Expenditure	**3,150**

Further detail is set out below;

3.3.1 Housing

Disabled Facilities Grant

It is proposed that the Disabled Facilities Grants budget for 2013/2014 remains at £2.346m, the same level as 2012/2013. This can be funded through a specific government grant of £1.417m (indicative allocation), a Council contribution of £0.570m, a Directorate revenue contribution of £0.190m, a contribution from Registered Social Landlords of £0.130m and DoH funding of £0.039m.

3.3.2 **Adult Services**

Refurbishment Works
Annually the Directorate reviews all establishments including those occupied by clients and a schedule of works that are required is drawn up to ensure that these establishments are maintained at an acceptable level. Directorate establishments refurbishment needs amounting to £0.150m have been identified to maintain standards of provision for residential and day care and enhancing service delivery.

IT Schemes
Continuous development of the Document Management System (Road Map) will ensure current systems support the modernisation agenda. A budget of £0.025m for each year 2013/2014 and 2014/2015 is proposed which can be met from the DoH grant.

Reablement Services
It is proposed to use the remaining £0.629m DoH grant to accelerate the expansion of reablement services in the City with Health Partners. This includes capital investment for Time to Think schemes, increased use of assistive technology to maintain people at home.

4.0 Other Services Capital New Start Proposals 2013/2014

Resources to support other services proposals for capital projects are set out in Section 3 of the main report. The following projects are proposed for inclusion in the 2013/2014 capital programme:

4.1 Smarter Working £1.000m in 2013/2014
Additional funding of £1.000m is needed for Phase 2 of this project to include relocation of the Community Equipment Store (CES) at Leechmere and dilapidations needed for the existing CES site (funded through contributions from the PCT), building demolitions, rationalisation of the Council's fuel storage facilities, and further depot and building schemes. Works proposed to be carried out supports rationalisation of the Council's operational building portfolio and will lead to ongoing revenue efficiencies.

4.2 Economic Masterplan Stimulus £5.000m (£0.500m in 2013/2014 and £1.500m pa in 2014/2015, 2015/2016 and 2016/2017)
Sunderland and the North East Local Enterprise Partnership are currently in the process of putting together a proposal for a City Deal. If accepted this Deal will provide the basis on which Government will allow the city and the wider north east new freedoms and flexibilities to deliver economic growth.

If the Council's Expression of Interest in City Deal is accepted, negotiation with Government will continue. However initial development work may need to be undertaken to stimulate proposals for development and therefore provision has been included although early stage and indicative at this stage.

4.3 Community Infrastructure Improvements £2.500m in 2013/2014

It is recommended that a provision of £2.5m is established to allow smaller infrastructure works to be completed within local communities. This provision will also support the continued development and delivery of the Community Leadership model within the Council.

4.4 Old North Pier Technical Investigation £0.150m in 2013/2014

This work covers the cost of specialist investigation work by external consultants to consider repairs necessary to the Old North Pier.

4.5 Flood and Extreme Weather Mitigation – Physical Works and Equipment £1.630m (£0.630 in 2013/2014, £0.500m in 2014/2015 and £0.500m in 2015/2016)

Capital investment is required for flooding works on council land. Experience from extreme weather conditions in 2012 has highlighted that the current nature of land is contributing to flooding incidents..

To avoid ongoing additional costs the following works are proposed; installation of new drainage systems, the repair of highways drainage networks and consolidation of unstable land, and creating physical barriers for surface run off from land. These are liabilities which fall outside of the remit of the Environment Agency and Northumbrian Water Ltd. The Council is still formulating detailed requirements and the value of £0.500m pa over 3 years is indicative at this stage. Equipment costs of £0.130m in 2013/2014 relate to procuring 6 high volume water pumps (one for each area response team).

4.6 Improvements to the Crematorium £0.140m in 2013/2014

Construction of a canopy on crematorium exits is proposed. This will improve appearance of the crematorium and lead to an increase in customer satisfaction with the service provided by the Council.

4.7 Herrington Park Infrastructure £0.150m in 2013/2014

Capital investment is proposed to replace roads and footpaths in the events area with a durable metalled surface. Three events have been cancelled in 2012/2013 due to existing infrastructure being unable to cope with the scale and frequency of events. The works proposed will also reduce revenue pressure on the Council's events programme and improve commercial income generation.

4.8 Houghton Cut Safety Works £0.030m in 2013/2014

Essential maintenance of netting and other consolidation works on the east side of Houghton cut.

4.9 Parks Improvement Programme £3.000m (£1.000m pa from 2014/2015 to 2016/2017)

A scheme in principle-has been agreed at Rectory Park and other potential schemes include Bishopwearmouth Cemetery Chapel restoration. Heritage Lottery Fund (HLF) will fund 90% of capital improvement scheme works with the bid subject to a two stage bidding process. If successful, works will start on site in October 2014, however funding must be agreed in advance as the Council must provide HLF with written confirmation that the match funding is approved, secured and in place for the submission of the stage 1 funding bid in August 2013.

4.10 Waste Transfer Station £5.561m in 2013/2014

Gateshead, South Tyneside and Sunderland Council's formed the South Tyne and Wear Waste Management Partnership in 2006 with the authorities developing a 20 year Joint Municipal Waste Management Strategy. Part of the action required in the strategy is to create a new Waste Transfer Station on industrial land at Jack Crawford House, at Campdown in Wrekenton (including a visitor centre) and to improve the existing waste transfer station at Middlefields in South Shields. The Council has previously allocated £5.561m to fund its share of the anticipated capital costs.

4.11 Port of Sunderland

The Port has benefited in recent years from new capital investment which has facilitated the development and expansion of the commercial opportunities within the Port and a significantly improved trading position. Further capital investment detailed below, primarily on an invest to save basis, is proposed that will continue this development and enhance facilities available at the Port.

Port Infrastructure - £5.680m (£3.180m in 2013/2014 and £2.500m in 2014/2015) - Investment in the Port's Infrastructure will be undertaken to enable access to other commercial opportunities including increasing the range of cargos currently handled at the Port. Improvements and expansion of the Port's estate will provide more capacity to maximise commercial opportunities and reduce external costs.

Dock Gate Repairs - £0.600m in 2013/2014 – Initial investigation and preparatory works on No 1 gates has identified further essential capital maintenance works.

Road Repairs & Lighting – £0.100m in 2013/2014 - On-going capital maintenance is required to ensure the Port's road and lighting is fit-for-purpose.

Plant and Equipment Purchase - £0.350m in 2013/2014 – The Port have identified plant and equipment requirements that are necessary to assist with the operations of the Port.

4.12 Children's Services Initiatives - £0.700m in 2013/2014

In order to meet government requirements for the provision of looked after children further capital investment is required. This will help the Council with its strategy to mitigate the cost of expensive external out of area placements.

4.13 Library Redesign £0.500m in 2013/2014

Over the past few years the occupancy of the City Library and Arts Centre has changed in support of priorities in council service delivery and efficiency savings. In order to meet the terms of the lease capital maintenance is required to update public areas and capital works are required to improve space within the Sound and Vision service and to improve the service provided by the Local Studies Library. Purchase of self operated microfiche reader / printers and replacement of map cabinets in the Local Studies Library will lead to further revenue efficiencies.

Costs are indicative at this stage but refurbishment of the main library and arts centre is estimated to be £0.360m and minor works in other library buildings £0.140m.

4.14 Capital Contingencies

Resources are currently provisionally allocated as capital contingencies to a number of outline schemes which it is intended will be brought forward subject to the consideration of the individual business case. These schemes support the Council's key priorities in terms of regeneration plans and strategic priorities and include

- 'invest to save' schemes in partnership with the private sector to support investment in the City and enable future strategic developments to take place
- other major regeneration capital works or site acquisitions within the City that will provide efficiencies and support the five Aims of the Sunderland Economic Masterplan

Appendix 2

CAPITAL PROGRAMME

Summary of Programme
2012/13 to 2016/17

Expenditure by Portfolio	Gross Cost	Expend to 31.3.12	Estimated Payments				
			2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leader	92,701	12,380	24,628	20,134	16,033	11,026	8,500
Deputy Leader	13,440	9,789	1,865	1,786			
Cabinet Secretary	28,042	4,836	6,746	9,610	5,250	800	800
Children's Services	35,998	18,516	9,674	7,566	242		
Health, Housing and Adult Services	29,511	9,722	6,367	6,211	2,977	2,117	2,117
Public Health, Wellness and Culture	17,895	2,618	1,887	5,550	7,840		
City Services	206,850	56,561	13,658	48,256	53,498	28,598	6,279
Responsive Services and Customer Care	400	130	170	100			
Contingencies	26,530		2,782	11,700	11,862	186	
TOTAL CAPITAL EXPENDITURE	**451,367**	**114,552**	**67,777**	**110,913**	**97,702**	**42,727**	**17,696**

CAPITAL PROGRAMME

Source of Finance	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
From External Sources					
Loans					
- Supported Borrowing	5,396				
- Unsupported Borrowing	31,682	47,336	43,133	14,002	6,200
Government Grants					
- Disabled Facilities	1,471	1,417	1,417	1,417	1,417
- Department for Communities and Local Government	330	330			
- Department of Health	1,550	843	860		
- Department for Education - Capital Maintenance	1,538	2,271			
- Department for Education - Basic Needs	1,074	2,748			
- Department for Education - Devolved Formula Grant	1,971	1,144	242		
- Department for Education - Two Year Old Offer		553			
- Department for Education - Other	54	150			
- Department for Transport - Transport Grant	5,916	6,096	6,063	5,779	5,779
- Department for Transport - S31 Transport Grant		28,073	36,867	17,623	
- Department for Transport - Local Sustainability	83	153			
- Department for Culture, Media and Sport	12				
- Coast Protection	351	137	132	283	700
- Single Housing Investment Pot	264	94			
- New Homes Bonus	1,213	336			
- Cluster of Empty Homes Grant	135	337			
- Better Bus Fund	410	10			
Heritage Lottery Fund	163	2,417	2,900	900	900
European Grants	1,079	3,699	548	23	
Grants from Other Public Bodies					
- Homes and Communities Agency	2,306	2,336			
- Football Foundation	61	245			
- Sport England		275			
- Nexus	215	187			
- School Governors Contribution	5				
Other External Funding	318	730	130	130	130
Total External Sources	**57,597**	**101,917**	**92,292**	**40,157**	**15,126**
From Internal Sources					
Revenue Contributions					
- General Fund	1,115	2,790	2,570	2,570	2,570
- Children's Services	20				
- Office Of the Chief Executive	150				
- Health Housing and Adult Services	1	190			
- City Services	24	19			
- Strategic Initiatives Budget	167	36			
Capital Receipts	720	679			
Reserves					
- Strategic Investment Reserve	3,388	811			
- Strategic Investment Plan	660	814	40		
- Unutilised RCCO Reserve	1,386	242			
- Port Reserve	124				
- Working Neighbourhoods Reserves	1,651	1,940			
- Business Transformation Reserve	61				
- Modernisation Reserve		1,000			
- Sunderland Railway Station Reserve		200	2,800		
- Other Capital Reserves	713	275			
Total Internal Sources	**10,180**	**8,996**	**5,410**	**2,570**	**2,570**
TOTAL CAPITAL FINANCING	**67,777**	**110,913**	**97,702**	**42,727**	**17,696**

LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Leader capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Purchase of strategic assets within the City that will enable further regeneration within the City to take place.
- Software City workspace has been completed and opened with the aim of providing world class telecommunications infrastructure and business premises.

KEY MEDIUM TERM PRIORITIES

- To provide leadership to the council on all matters and particularly all major strategic, corporate and cross-cutting and commercially sensitive issues.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

In developing measures to improve economic prosperity, value for money will be achieved through a range of measures including:

- Maximising external funding.
- Work with internal and external partners to improve services for local businesses.
- Efficiencies through improved procurement techniques and monitoring arrangements.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Interim works to the former Vaux Site has progressed comprising of grass seeding and the provision of temporary footpaths and parking facilities. Remedial works are required to reinstate walls and footpath lost due to landslip.
- The Washington Managed Workspace scheme will provide a high quality managed workspace that will encourage the start-up of new, small and medium enterprises and support their early growth by providing a purpose-built business centre.
- Smarter Working has resulted in 17 building closures to date and the delivery of revenue savings, enabled by capital investment.
- Enterprise Zone Infrastructure - Works are planned to complete feasibility and master planning study in relation to Council-owned land within the Enterprise Zone to determine infrastructure requirements, costs and delivery timescales. Also identification of potential off-site highway improvements required to deliver the objectives of Sunderland's Enterprise Zone.
- Sunderland Railway Station Contribution - work with Network Rail will continue with the objective of securing commitment towards the redevelopment of the above ground concourse to Sunderland Station.
- St Mary's Boulevard & Magistrates Square - Commence construction of infrastructure works to deliver improved access to city centre, a major new civic space, and facilitate development in accordance with the Council's ambitions for the city centre.
- Investment Corridors - This programme will deliver physical improvements to the city centre helping to increase footfall and improve the attractiveness of the city centre as place in which to live and work by providing excellent public realm and supporting the development of new retail and leisure facilities.

New Starts

- Works carried out as part of the smarter working programme will support rationalisation of the Council's operational building portfolio and lead to ongoing efficiencies. Works proposed include demolition of properties, relocation of the Community Equipment Store and rationalisation of the Council's fuel storage facilities.
- Initial development work to provide stimulus to the Council's Economic Masterplan if new freedoms and flexibilities to deliver economic growth are supported by government.
- A provision will be established to allow smaller infrastructure works to be completed within local communities.

LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	24,337	12,380	6,190	5,767			
Projects Commencing 2012/2013	59,864		18,438	10,367	14,533	9,526	7,000
Projects Commencing 2013/2014	8,500			4,000	1,500	1,500	1,500
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**92,701**	**12,380**	**24,628**	**20,134**	**16,033**	**11,026**	**8,500**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans - Unsupported Borrowing	19,586	13,134	12,485	9,803	7,300
European Grants	1,079	3,699	548	23	
Other External Funding - PCT		600			
Total External Sources	**20,665**	**17,433**	**13,033**	**9,826**	**7,300**
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	50		200	1,200	1,200
Reserves					
- Strategic Investment Reserve	1,672	561			
- Unutilised RCCO Reserve	250				
- Working Neighbourhoods Reserves	1,651	1,940			
- Sunderland Railway Station Reserve		200	2,800		
- Strategic Investment Plan	340				
Total Internal Sources	**3,963**	**2,701**	**3,000**	**1,200**	**1,200**
TOTAL FINANCING	**24,628**	**20,134**	**16,033**	**11,026**	**8,500**

LEADER
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Strategic Economic Development								
CP0126	Ex Vaux Site Advance Site Works	C Clark	2,000	389	1,050	561			
CP0127	Strategic Land Acquisition Provision	C Clark	1,750	389	1,361				
CP0128	St Mary's Way Preliminary design works	L Clark	100	78	22				
	Business Investment								
CP0129	Washington Managed Workspace	I Williams	6,050		1,110	4,940			
CP0130	Software Centre	I Williams	8,882	7,447	1,435				
CP0131	Software City Ph2 (Evolve)	I Williams	16	16					
	Strategic Improvement Programmes								
CP0132	Smarter Working Phase 1	C Clark	1,727	861	600	266			
	City Centre								
CP0133	Sunniside Public Realm	C Clark	2,222	2,200	22				
CP0134	Market Square	C Clark	1,127	700	427				
CP0135	City Centre Improvements	L Clark	463	300	163				
TOTAL CONTINUING PROJECTS			**24,337**	**12,380**	**6,190**	**5,767**			
	Projects Commencing 2012/13								
	Strategic Economic Development								
CP0136	Enterprise Zone Infrastructure	I Williams	21,000			328	5,873	7,799	7,000
CP0127	Strategic Land Acquisition Provision	C Clark	3,000		1,650	1,350			
CP0137	Sunderland Railway Station Contribution	C Clark	3,000			200	2,800		
CP0138	St Mary's Boulevard & Magistrates Square	I Williams	11,864		1,778	5,974	3,935	177	
CP0139	Investment Corridors	C Clark	4,000		10	515	1,925	1,550	
CP0140	City Centre Hotel Contribution	C Clark	2,000			2,000			
CP0141	Newcastle Airport Refinancing	M Page	15,000		15,000				
TOTAL PROJECTS COMMENCING 2012/13			**59,864**		**18,438**	**10,367**	**14,533**	**9,526**	**7,000**
	Projects Commencing 2013/14								
CP0132	Smarter Working Phase 2	C Clark	1,000			1,000			
CP0142	Economic Masterplan Stimulus	I Williams	5,000			500	1,500	1,500	1,500
CP0143	Community Infrastructure Improvements	L Clark	2,500			2,500			
TOTAL PROJECTS COMMENCING 2013/14			**8,500**			**4,000**	**1,500**	**1,500**	**1,500**
TOTAL CAPITAL PROGRAMME			**92,701**	**12,380**	**24,628**	**20,134**	**16,033**	**11,026**	**8,500**

DEPUTY LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Deputy Leader capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Power Supply to Data Centre - an upgrade of the power supply to the data centre has enabled further income to be generated from external hosting arrangements.
- Corporate Computer Model - The first phase of the CCM project is completed and all server based applications have been moved on to the new virtual infrastructure reducing the quantity of infrastructure used and releasing further hosting space within the data centre.
- Network and Telephony upgrades - the unsupported Cisco telephony system has been replaced bringing all telephony onto the Avaya VoIP system. This will eliminate the external call costs previously associated to calls between the two telephony systems.

KEY MEDIUM TERM PRIORITIES

- ICT medium term priorities include assisting the Council to meet its Smarter City objectives through the roll out of the Corporate Desktop which will provide a flexible, agile approach to computing resources.
- To facilitate efficiencies and improvements to IT systems and working practices within the Council.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

In developing measures to improve economic prosperity, value for money will be achieved through a range of measures including:

- The investment in Employee Self Service will facilitate improved process and cost reductions through improved work flow and a reduction in paper based processes underpinning the HR and Payroll services.
- The investment in Electronic Document Management will improve document and information flow across the council, reducing the cost of document handling.
- The Cloud Computing Model is expected to reduce the Councils operational costs by £1.4m annually over the next five years, in the delivery of IT services through a reduction in hardware, software, maintenance and improved IT management.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Modernisation Improvements - Employee Self Service involves the automation of the process that underpin the HR and Payroll services through the use of interactive forms. This will reduce the volume of paper documentation that currently exists within the Shared Services area and will improve the quality of data within the HR system.
- Modernisation Improvements - Electronic Document Management, Automated Court Bundling and SAP archiving involves the introduction of work flow, version control, storage and classification of documents and records. This will reduce the reliance on paper documentation, improve the ability for employees to work from any location and improve Information Governance through the correct classification and control of documentation.
- Digital Challenge will continue to improve digital skills across the city, in particular supporting the take up of services as they move to a self-service model delivered by the Internet.
- Phase 2 of the Revenue and Benefits system upgrade involves public access via the web allowing customers to access account information without contacting the Council.
- Flexible Working Solutions will include the authentication of employees and the adoption of Smart Card technology to improve security when accessing council ICT systems.
- Complaints and Freedom of Information Act will involve the development of work flow within the Dynamics system, improving the efficiency of processes and reporting for Complaints and FOIs.

DEPUTY LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	12,190	9,786	1,618	786			
Projects Commencing 2012/2013	1,250	3	247	1,000			
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**13,440**	**9,789**	**1,865**	**1,786**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans -					
Loans - Supported Borrowing	150				
Government Grants					
- Department for Communities and Local Government	330	330			
Total External Sources	**480**	**330**			
FROM INTERNAL SOURCES					
Revenue Contributions					
- Office of the Chief Executive	150				
- Health Housing and Adult Services	1				
Reserves					
- Strategic Investment Reserve	861				
- Strategic Investment Plan	20	214			
- Unutilised RCCO Reserve	241	242			
- Modernisation Reserve		1,000			
- Other Reserve	112				
Total Internal Sources	**1,385**	**1,456**			
TOTAL FINANCING	**1,865**	**1,786**			

DEPUTY LEADER
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
	Continuing Projects								
	ICT								
CP0112	Telephony Upgrade	D Downey	1,917	1,717	200				
CP0113	Complaints and Freedom of Information Act	E Waugh	110	62		48			
CP0114	Flexible Working Solutions	D Downey	100	41		59			
CP0115	Digital Challenge	D Downey	3,391	2,731	330	330			
CP0116	SAP Infrastructure	D Downey	100	73	27				
CP0117	Revenue and Benefits system Phase 2	F Brown	400	166	20	214			
CP0116	SAP Archiving	D Downey	105			105			
CP0118	Call Manager Replacement	D Downey	387	237	150				
CP0119	Automated Court Bundle	E Waugh	30			30			
CP0120	Corporate Computing Model	D Downey	5,620	4,759	861				
CP0121	Network Upgrade	D Downey	30		30				
TOTAL CONTINUING PROJECTS			**12,190**	**9,786**	**1,618**	**786**			
	Projects Commencing 2012/13								
	ICT								
CP0122	Employee Self Service	D Downey	500			500			
CP0123	Electronic Document Management	D Downey	500			500			
CP0124	SAP Development	S Tognarelli	100	3	97				
CP0125	Software Licences	D Downey	150		150				
TOTAL PROJECTS COMMENCING 2012/13			**1,250**	**3**	**247**	**1,000**			
TOTAL CAPITAL PROGRAMME			**13,440**	**9,789**	**1,865**	**1,786**			

CABINET SECRETARY
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Cabinet Secretary capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
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- An inclusive city economy for all ages
- A one city approach to economic leadership

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Port Workshops Relocation has rationalised the Port estate, thereby providing additional land for potential new business development and to facilitate potential inward investment opportunities.
- Port Infrastructure Improvements to facilitate efficiencies in the provision of both marine and shore side services.
- The acquisition of a Tug Boat for the Port will facilitate the efficient operation of the Port's marine services.
- Provisions for Economic Development funding offers financial assistance in the form of grants for business to start up and grow their business through supporting investment in premises and equipment, linked to job creation. Statistics for the last full year of the programme have demonstrated that support was offered to 61 companies which created 1,036 full time equivalent jobs. This in turn contributes to sustaining the local economy.
- Seafront Toilet Refurbishments - the comprehensive refurbishment of the toilet block at the cat and dog steps was completed in summer 2012.
- The Planned Property Capital Maintenance programme has seen an investment in more major building improvements including mechanical repairs, which together with property rationalisation is part of the longer term strategy to reduce the maintenance backlog.
- Approximately 200kW of solar PV has been installed at 8 sites. This is estimated to save £20,000 per annum in reduced electricity consumption as well as generating income in excess of £50,000 per annum for the Council via the Feed In Tariff mechanism.
- Improving energy management via the installation of 33 Building Management Systems controlling the heating in operational properties and a boiler replacement at Fulwell Resource Centre.

KEY MEDIUM TERM PRIORITIES

- It is proposed to continue to invest in the Seafront public realm so as to improve its appearance and maintain its attractiveness both for continuing use by residents and visitors, and to ensure a high quality environment that will act as a catalyst for new investment in the area.
- Property Planned Capital Maintenance will allow ongoing investment in major capital works required to maintain a fit for purpose operational and administrative property portfolio. Coupled with a strategy to rationalise and dispose of property by smarter working and more efficient use of space, this ongoing capital investment stems the degradation of the retained portfolio and enables the disposal of surplus and un-sustainable elements of the portfolio.
- The Port Board's Improvement Plan and the capital investment programme will enable the development of the Port, allowing further expansion of trading activity, commercial and strategic development, and improved capacity to maximise the market potential including inward investment opportunities on the Port Estate.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The rationalisation of the property portfolio has resulted in the closure of 17 buildings to date and the projected delivery of £3.018m revenue efficiencies by the end of March 2014.
- The investment in energy efficiency will save approximately £100,000 per annum through reduced consumption and income from the Feed-In Tariff scheme.
- The energy efficiency investment also helps to lower maintenance costs and also reduce the Council's carbon footprint by 260 tonnes per annum.
- As part of continuing efforts to sustain the improvement of the trading position of the Port of Sunderland, investment in infrastructure and equipment will safeguard existing operational standards, reduce equipment hire costs and provide the necessary resources to enable the Port to better respond to market opportunities and spot trade which invariably come at short notice.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Seafront - Marine Walk Masterplan Phase 2 continues to deliver the Seafront Regeneration Strategy by continuation of physical improvements to the Seafront with the aim of generating and supporting private sector investment in line with the approved Seaburn and Marine Walk Masterplans.
- Property Planned Capital Maintenance will maintain the approach to building improvement and will over the medium to long term, enable the delivery of a fit for purpose operational property portfolio.
- Accelerated Low Water Corrosion is affecting riverside and coastal structures supporting footpaths and other infrastructure. The programme of assessment and repair will prevent these structures from deteriorating and failing.
- As part of the Seafront Regeneration Strategy restoration work to the Grade II listed Roker Pier and Lighthouse will commence in 2013.
- The Old Sunderland Townscape Heritage Initiative includes the renovation of The Orphanage (Grade II Listed building) and development of an extra care scheme in the grounds. This scheme will provide 38 apartments for people with a dementia diagnosis and new accommodation for the Community Association.
- Various works to the Port of Sunderland including the acquisition of a new heavy lift crane that will assist the Port to protect its current market share, facilitate the continued commercial development of the Port and provide capacity to take advantage of inward investment opportunities.

New Starts

- A specialist investigation to determine the best long-term option for stabilising the Old North Pier.
- Investment in Port Infrastructure to enable access to other commercial opportunities and allow expansion and more productive utilisation of the Port Estate.
- Repairs are required to No 1 Dock Gates to ensure vessels can continue to safely navigate and berth vessels within the Port’s enclosed Hudson & Hendon Docks.
- Further capital schemes within the Port to purchase plant and other equipment and to carry out planned capital maintenance that will provide medium term efficiencies and help prevent the ongoing degradation of the asset portfolio.

CABINET SECRETARY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	7,458	4,836	1,626	996			
Projects Commencing 2012/2013	13,704		5,120	4,234	2,750	800	800
Projects Commencing 2013/2014	6,880			4,380	2,500		
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**28,042**	**4,836**	**6,746**	**9,610**	**5,250**	**800**	**800**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans - Unsupported Borrowing	3,554	6,144	3,450		
Government Grants					
- New Homes Bonus	500				
Heritage Lottery Fund	163	417			
Grants from Other Public Bodies					
- Homes and Communities Agency	37				
Other External Funding	160				
Total External Sources	**4,414**	**6,561**	**3,450**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	880	2,220	1,800	800	800
Reserves					
- Port Reserve	124				
- Strategic Investment Reserve	800	250			
- Strategic Investment Plan	64				
- Strategic Initiatives Budget	19				
- Unutilised RCCO Reserve	321				
- Other Capital Reserves - Highways Reserve	117				
Capital Receipts	7	579			
Total Internal Sources	**2,332**	**3,049**	**1,800**	**800**	**800**
TOTAL FINANCING	**6,746**	**9,610**	**5,250**	**800**	**800**

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Port								
CP0093	Port Workshops Relocation	M Hunt	362	230	132				
CP0094	Port Equipment	M Hunt	248	236	12				
CP0095	Port Entrance	M Hunt	300	46	254				
	Planning and Land Use								
CP0096	Old Sunderland Townscape Heritage Initiative	C Clark	2,327	668	663	996			
	Carbon Management								
CP0097	Solar PV Panels	C Clark	722	712	10				
C90098	Improving Energy Management of Buildings	C Clark	150	106	44				
	Seafront								
CP0099	Seafront Regeneration Strategy	C Clark	60	59	1				
CP0100	Seafront - Marine Walk Masterplan Ph1	C Clark	1,500	1,341	159				
CP0101	Seafront - Seaburn Public Realm Improvements	C Clark	237	231	6				
CP0102	Seafront - Toilets refurbishment	C Clark	141	5	136				
	Economic Development Grants								
CP0103	Provision for Economic Development	I Williams	589	427	162				
	Management of Council Land and Buildings								
CP0104	West Area Shopping Improvements (SIP)	C Clark	30	20	10				
CP0105	Sheepfolds Acquisitions	C Clark	792	755	37				
TOTAL CONTINUING PROJECTS			**7,458**	**4,836**	**1,626**	**996**			
	Projects Commencing 2012/13								
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	C Clark	3,000		800	1,200	1,000		
CP0107	Low Water Corrosion / Riverside Repairs	C Clark	200			200			
	Economic Development Grants								
CP0103	Provision for Economic Development	I Williams	3,950		750	800	800	800	800
	Port								
CP0108	Dock Gate Capital Repairs	M Hunt	80		80				
CP0109	Tug Boat	M Hunt	150		150				
CP0110	Equipment	M Hunt	124		124				
CP0152	Harbour Mobile Crane	M Hunt	3,000		3,000				
	Seafront								
CP0111	Roker Pier and Lighthouse	C Clark	1,350		86	814	450		
CP0100	Seafront - Marine Walk Masterplan Ph2	C Clark	1,850		130	1,220	500		
TOTAL PROJECTS COMMENCING 2012/13			**13,704**		**5,120**	**4,234**	**2,750**	**800**	**800**

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
	Projects Commencing 2013/14								
CP0144	Old North Pier Technical Investigation	L Clark	150			150			
	Port								
CP0145	Infrastructure	M Hunt	5,680			3,180	2,500		
CP0146	Dock Repairs	M Hunt	600			600			
CP0147	Road Repairs and Lighting	M Hunt	100			100			
CP0148	Miscellaneous Capital Plant and Equipment	M Hunt	350			350			
TOTAL PROJECTS COMMENCING 2013/14			**6,880**			**4,380**	**2,500**		
TOTAL CAPITAL PROGRAMME			**28,042**	**4,836**	**6,746**	**9,610**	**5,250**	**800**	**800**

CHILDREN'S SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

Children's Services Capital Programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

The Children and Young People's Plan priorities are:

- Achieving their education.
- Enjoy sport, leisure and play.

National and local outcomes and indicators of which the most relevant to capital investment are:

- Achievement at all the key stages of educational attainment including the Early Years Foundation Stage (EYFS), Key Stage 2 (year 6 pupils), Key Stage 4 (year 11 pupils) and Key Stage 5 (year 13 pupils). In 2012 Sunderland schools made significant improvements in each key measure.
- Percentage of schools providing access to extended services for children, families and communities.
- Narrowing the gap between the lowest achieving 20% of pupils and the rest.
- The Children's Services Asset Management Plan (AMP), which contains updated information about the condition, suitability and sufficiency priorities for all school buildings.
- The Government's Priority Schools Building Programme (PSBP).
- The current position with both primary and secondary school places to identify future priorities for capital investment, taking into account the current pupil roll and projected future school rolls.
- Schools being allocated devolved capital funding. The LA provides support to schools in assisting them in planning this expenditure to achieve school development priorities.
- Partnership working which is key to making right investment choices and to supporting the wider regeneration agenda in Sunderland.
- Providing children in care with appropriate residential accommodation and supporting young people leaving care to independent living.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Two primary schools (St Joseph's RC Primary School and Maplewood Special School) have been replaced under the previous Governments Primary Strategy for Change and were opened during 2012.
- Capital works to reconfigure accommodation at Wessington Primary School were completed in 2012.
- Two all weather pitches were reconfigured and resurfaced at Farringdon and Biddick Schools.
- Capital works to provide window replacements, heating improvements, roofing works and fire safety works, to meet with asset management priorities, at a number of primary, secondary and special schools were completed as part of an ongoing programme to address urgent maintenance priorities.

KEY MEDIUM TERM PRIORITIES

- To continue to address the most urgent condition priorities, health and safety work and major capitalised repairs in the secondary, primary and nursery sector as identified from Children's Services AMP data.
- To address pressure on primary school places in particular areas of the City to ensure there are sufficient school places to meet demand for reception places.
- To support schools in using the reduced level of devolved formula capital allocations to address the priorities identified in their asset management plans.
- Extend supported accommodation for vulnerable young people
- To maintain children's homes to a standard required to meet at least the minimum standards against which Sunderland are inspected by OFSTED twice per annum, and also to fulfill the requirements of the council as Corporate Parents.

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

- Children's Services is participating in a corporate wide review of accommodation with a view to rationalising property. The first stage of this had involved moving towards integrated working in each of the five localities in 2011/12. The second phase of this will look to further integration in the functions of council buildings and accommodation used by the public, including Children's Services buildings e.g. children's centres. Schools are also being asked to consider how their buildings can be used for community purposes.

CAPITAL INVESTMENTS FOR THE YEAR

Ongoing Commitments

- The Priority Schools Building Programme (PSBP), a national Private Finance Initiative (PFI) was announced in July 2011. The Council submitted a bid on behalf of Hetton Secondary School and on behalf of Shiney Row, Hylton Castle and Usworth Grange Primary Schools. St Anthony's Girls RC Academy also submitted a bid. These were successful - Usworth Grange Primary School will be the first to be built with grant funding, other schools will follow with the programme anticipated to complete in 2016. The Council will support its schools through the process and will provide capital funding in relation to furniture and fittings to equip the new schools.
- Continuation of capital works to meet asset management priorities that commenced in schools during 2012/2013.

New Starts

- Investment that will meet government requirements for the provision of looked after children and help the Council with its strategy to mitigate the cost of expensive external out of area placements.
- 2013/2014 schools capital allocations to be announced in January 2013. Priorities for new starts in 2013/2014 are proposed to include:
    - Capital works to provide window replacements, heating improvements, roofing works and urgent health and safety works, to meet with asset management priorities, at a number of primary, secondary and special schools will completed as part of an ongoing programme to address urgent maintenance priorities;
    - Programme of works to be developed to address potential shortfall in places in particular areas of the city where there is an ongoing rise in pupil numbers e.g. Washington, Coalfields, Sunderland West.
- Capital works in relation to the government's 'Two Year Old Offer' in order that early years providers, including nurseries, can adapt their premises to create additional age-appropriate accommodation.

CHILDREN'S SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	28,907	18,516	8,874	1,517			
Projects Commencing 2012/2013	5,838		800	4,796	242		
Projects Commencing 2013/2014	1,253			1,253			
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**35,998**	**18,516**	**9,674**	**7,566**	**242**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans					
- Supported Borrowing	5,246				
- Unsupported Borrowing		700			
Government Grants					
- Department for Education - Capital Maintenance	1,538	2,271			
- Department for Education - Basic Needs	1,074	2,748			
- Department for Education - Other - Standards Fund	20	100			
- Department for Education - Devolved Formula Grant	1,971	1,144	242		
- Department for Education - Other - Short Breaks	34	50			
- Department for Education - Other - Two Year Old Offer		553			
- School Governors Contribution	5				
- Football Foundation	6				
Other External Funding	10				
Total External Sources	**9,904**	**7,566**	**242**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- Children's Services	20				
Reserves					
- Strategic Investment Reserve	(250)				
Total Internal Sources	**(230)**				
TOTAL FINANCING	**9,674**	**7,566**	**242**		

CHILDREN'S SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend To 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
CP0085	Schools Devolved Capital 2009/2010 to 2011/2012	B Scanlon	7,120	4,994	1,714	412			
CP0086	St Josephs RC Primary	B Scanlon	6,000	5,103	897				
CP0087	Maplewood School	B Scanlon	5,330	3,841	1,489				
CP0088	Farringdon School - upgrade of all weather pitch	D Thornton	532	526	6				
CP0089	Capita One V4 Upgrade	C Ross	185	165	20				
CP0090	St Benets - TCF Kitchen & Dining	B Scanlon	191	186	5				
CP0091	Biddick school - upgrade of all weather pitch	B Scanlon	367	357	10				
CP0155	Barbara Priestman School - Specialist Status	C Barker	100			100			
CP0085	Schools Devolved Capital	B Scanlon	505		257	248			
CP0088	Primary School Asset Management	B Scanlon	3,320	1,491	1,829				
CP0088	Secondary School Asset Management	B Scanlon	5,157	1,837	2,613	707			
CP0092	Short Breaks Provision for Disabled Children	B Scanlon	100	16	34	50			
TOTAL CONTINUING PROJECTS			**28,907**	**18,516**	**8,874**	**1,517**			
	Projects Commencing 2012/13								
CP0085	Schools Devolved Capital 2012/2013	B Scanlon	726			484	242		
CP0088	Secondary School Asset Management	B Scanlon	226			226			
CP0088	Primary School Asset Management	B Scanlon	830			830			
CP0088	Nursery School Asset Management	B Scanlon	200			200			
CP0088	Special School Asset Management	B Scanlon	1,000			1,000			
CP0088	EAW - School Asset Management	B Scanlon	90			90			
CP0088	School Asset Management Programmes - unallocated	B Scanlon	2,466		500	1,966			
CP0088	Sunningdale School Hydrotherapy	B Scanlon	200		200				
CP0088	Derwent Hill	B Scanlon	100		100				
TOTAL PROJECTS COMMENCING 2012/13			**5,838**		**800**	**4,796**	**242**		
	Projects Commencing 2013/14								
CP0153	Children's Services Initiatives	B Scanlon	700			700			
CP0154	Two Year Old Offer	B Scanlon	553			553			
TOTAL PROJECTS COMMENCING 2013/14			**1,253**			**1,253**			
TOTAL CAPITAL PROGRAMME			**35,998**	**18,516**	**9,674**	**7,566**	**242**		

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Health, Housing and Adults Services capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

It aims to do this by:

- Delivering long term housing solutions as required by the Enabling Independence Strategy which enables the development of supported accommodation to meet the needs of older people and other vulnerable client groups within our communities, with a further choice of care to be tailored to the needs of the household to enable them to live independently for as long as possible.
- More Core and Cluster facilities for people with disabilities.
- Developing the Housing Related Support in-reach services
- Modernising Adult Services ICT systems to improve departmental and council communications.
- The Financial Assistance Policy which aims to be innovative, obtain value for money and reinforce that homeowners should accept responsibility for their own housing investment through a range of loans led and grant supported products. The council will also utilise its resources to fulfill ambitions in the private rented sector by improving the living conditions and its management.
- Continue the delivery of Disabled Facilities Grants.
- Researching and sourcing funding for the development of leisure facilities and services in partnership with other service providers.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Modernisation of ICT systems (AIS, Telecare System, Telehealth equipment) allows easier transfer of information between staff and helps deliver both planned and unplanned care more effectively.
- Area Renewal programme has contributed towards a sustainable community and neighbourhood through an increase in housing choice with the development of 65 new housing units in Phase 1 in Castletown which will be completed by March 2013. There have been an additional 3 acquisitions of homes at Hetton Downs through SHIP and Homes and Communities Agency (HCA) funding. These have contributed to assign sites for new housing.
- Private Sector Renewal Grants - £250,000 was agreed by Cabinet for empty property refurbishment work.1 equity loan has been granted to refurbish an empty property and bring it back into use. A further 15 equity loans have been committed and are awaiting the outcome of the financial assessment. The whole fund has now been committed.
- Empty Properties Fund - £327,000 has been awarded to Back on the Map to acquire and refurbish 5 empty properties.
- Expansion of Farmborough Court to support hospital discharge and establishment of ‘hub’ for all reablement services.
- 640 Disabled Facilities Grants have been awarded allowing much needed adaptations to be carried out to properties.
- 9 decent homes loans have been awarded allowing people to bring their homes up to the decent homes standard.
- Extra Care Schemes – Acquisition of 3 apartments to provide reablement from within an extra care housing environment.

KEY MEDIUM TERM PRIORITIES

- To enable the provision of housing solutions including improving the delivery of home improvement, minor alterations and adaptations for people with a care and support need as outlined within the Enabling Independence Strategy for households including older people; people with a mental health; learning disabilities and physical disabilities.
- Review the use of our buildings based services and move to more community based services. This will include the use of technology such as Telecare and Telehealth to allow people to live in their own homes for longer.
- To ensure that assets where people live as their home are updated and fit for purpose.
- To concentrate the Care and Support service onto one main site
- Identify opportunities within the Governments reform of Health Services to improve health of residents in the homes they live in and the services provided to them.

- Explore opportunities of further energy efficiency measures being extended into the private rented sector.
- Continue to upgrade ICT systems internally and with partners to improve management information, deliver e-government, support the delivery of personalisation and promote the integration agenda and increase the opportunity for customers to self serve.
- Continue with the development and implementation of Sunderland's Housing Priorities Plan linked to the delivery of the Economic Masterplan and the on-going development of the Core Strategy / Local Development Framework.
- Developing long-term housing solutions for households with a support need through the delivery of the Enabling Independence Strategy, which will help to enable delivery of Extra Care housing, in partnership with both the Homes and Communities Agency and Providers.
- Improving the quality and choice of affordable accommodation, with emphasis being placed upon Council Renewal Areas.
- Continue to improve the housing stock in terms of decency and fitness for habitation in the private housing sector particularly targeting standards in the private rented sector.
- Encourage more private landlords to become accredited and raise housing conditions and standards in the private sector.
- Bring empty properties back into use.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The Directorate aims to reduce placements into residential care provision and increase the use of assistive technology, alongside reducing costs associated with care and support services and operation of buildings used for supported housing provision. Enabling the development and provision of supported housing solutions with alternative providers to secure efficiencies for the Council while providing a choice of effective housing and care solutions in a safe environment, while supporting sustainable communities.
- The directorate is also looking to use capital to develop low level solutions as alternatives to traditional services such as home care and day care.
- The reablement at home service has shown that for new clients going through the service the long term care costs for individuals is reduced significantly.
- Adult Services is part of the Smarter Working initiative. Work is currently underway to consolidate the Care and Support service on the Leechmere site which will allow for a relocation of the Community Equipment Service and closure of other satellite buildings.
- The development of Joint Ventures and Funding Agreements such as in Castletown and Hetton Downs creates the environment for the council to work with funding and development partners to attract resources into developing and creating sustainable communities.
- Identify areas of low housing demand and develop action plans to assist in reversing trends.
- Continue to encourage and develop investment opportunities in the housing market.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Area Renewal continues with the acquisition of properties at Maudlin Street, the Springboard property and Gentoo sites at Hetton Downs.
- Empty Homes Clusters Scheme - £472,105 New Homes Bonus funding and £472,105 HCA funding has been awarded to refurbish 80 properties by March 2014. To date 6 applications have been made for the loan/grant.
- A traveller's stop-over site will assist in dealing with unauthorised encampments more efficiently and effectively. The provision will ensure that our obligations are met and that we conform to the requirements around our Core Strategy.
- Decent homes assistance linked to the Financial Assistance Policy.

New Starts

- It is proposed to accelerate the expansion of reablement services in the City with Health Partners. This includes capital investment for Time to Think schemes, increased use of assistive technology to maintain people at home.
- Disabled Facilities Grants carry out adaptations to disabled person's properties helps to ensure that people can remain in their own properties for as long as possible in a safe and secure environment.

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	15,585	9,722	3,475	2,388			
Projects Commencing 2012/2013	3,565		2,892	673			
Projects Commencing 2013/2014	3,150			3,150			
Projects Commencing 2014/2015	2,977				2,977		
Projects Commencing 2015/2016	2,117					2,117	
Projects Commencing 2016/2017	2,117						2,117
TOTAL CAPITAL EXPENDITURE	**29,511**	**9,722**	**6,367**	**6,211**	**2,977**	**2,117**	**2,117**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Government Grants					
- Department of Health - IT Grant	201				
- Department of Health	1,349	843	860		
- Single Housing Investment Pot	264	94			
- Disabled Facilities	1,471	1,417	1,417	1,417	1,417
- New Homes Bonus	713	336			
- Cluster of Empty Homes Grant	135	337			
Grants from Other Public Bodies					
- Homes and Communities Agency	1,769	2,294			
Other External Funding	130	130	130	130	130
Total External Sources	**6,032**	**5,451**	**2,407**	**1,547**	**1,547**
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	185	570	570	570	570
- Health Housing and Adult Services		190			
Reserves					
- Other Capital Reserves - Energy Fund Reserve	50				
Capital Receipts	100				
Total Internal Sources	**335**	**760**	**570**	**570**	**570**
TOTAL FINANCING	**6,367**	**6,211**	**2,977**	**2,117**	**2,117**

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
	Continuing Projects								
	Adult Services								
CP0060	Swift Enhancements	G King	820	756	64				
CP0061	Managing Income	G King	22	12	10				
CP0062	Telecare	G King	100		100				
CP0063	Adults Information System	G King	50	8	42				
CP0064	Document Management System (Road Map)	G King	75	66	9				
CP0065	Private Sector Renewal Grants	A Caddick	300	283	17				
CP0066	Mobile Portal	G King	200	182	18				
CP0067	Regional Loans Scheme	A Caddick	483	339	144				
CP0069	Sunderland Energy Efficiency Program (SEEP)	A Caddick	86	12	74				
CP0070	Extra Care Schemes	P Corner	446	114	332				
	Housing Services								
CP0071	Eppleton (SHIP)	A Caddick	1,070	817	159	94			
CP0072	Hetton Downs (HCA)	A Caddick	8,038	3,975	1,769	2,294			
CP0073	Castletown Block Improvements	A Caddick	611	551	60				
CP0074	Extra Care Housing	P Corner	2,607	2,607					
CP0075	Travellers Site	A Caddick	100		100				
CP0077	Empty Property Action Plan	A Caddick	577		577				
TOTAL CONTINUING PROJECTS			**15,585**	**9,722**	**3,475**	**2,388**			
	Projects Commencing 2012/13								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	P Foster	150		150				
CP0079	Document Management System (Road Map)	G King	25		25				
CP0080	Disabled Facilities Grants 2012/13	A Caddick	2,346		2,346				
CP0081	Regional Loans Scheme	A Caddick	100		100				
	Housing Services								
CP0083	Cluster of Empty Homes	A Caddick	944		271	673			
TOTAL PROJECTS COMMENCING 2012/13			**3,565**		**2,892**	**673**			
	Projects Commencing 2013/14								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	P Foster	150			150			
CP0079	Document Management System (Road Map)	G King	25			25			
CP0080	Disabled Facilities Grants 2013/14	A Caddick	2,346			2,346			
CP0157	Reablement Services	A Caddick	629			629			
TOTAL PROJECTS COMMENCING 2013/14			**3,150**			**3,150**			

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2014/15								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	P Foster	150				150		
CP0079	Document Management System (Road Map)	G King	25				25		
CP0080	Disabled Facilities Grants 2014/15	A Caddick	2,117				2,117		
CP0157	Housing and Adult Schemes	A Caddick	685				685		
TOTAL PROJECTS COMMENCING 2014/15			**2,977**				**2,977**		
	Projects Commencing 2015/16								
	Adult Services								
SS96013	Minor Works (Improvements to Care and Support)	P Foster							
SS97008	Disabled Facilities Grants 2015/16	A Caddick	2,117					2,117	
TOTAL PROJECTS COMMENCING 2015/16			**2,117**					**2,117**	
	Projects Commencing 2016/17								
	Adult Services								
CP0080	Disabled Facilities Grants 2016/17	A Caddick	2,117						2,117
TOTAL PROJECTS COMMENCING 2016/17			**2,117**						**2,117**
TOTAL CAPITAL PROGRAMME			**29,511**	**9,722**	**6,367**	**6,211**	**2,977**	**2,117**	**2,117**

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Public Health, Wellness and Culture capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

It aims to do this by:

- Sourcing funding and establishing key partnerships to further develop the Council's sporting and cultural offer to residents.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- The capital investment in the Library Materials Fund has supported access to reading, information and learning, as well as supporting heritage and local studies. In addition the investment has provided programming opportunities for learning, social inclusion and improved residents health and wellbeing.
- Pilot illumination project of Roker Park from September to November 2012 resulted in over 30,000 visitors over a 6 week period.

KEY MEDIUM TERM PRIORITIES

- To ensure that the Council's sporting and cultural assets are fit for purpose.
- To provide sporting and cultural facilities that increase uptake and provide opportunities for participation.
- Review of sporting and cultural facilities that will meet the needs of the residents and visitors to Sunderland.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

In developing measures to improve economic prosperity, value for money will be achieved through a range of measures including:

- Maximising external funding.
- Work with internal and external partners to improve community safety.
- Efficiencies will be achieved through improved procurement techniques and monitoring arrangements.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Continue to deliver the city's Football Investment Strategy new changing pavilions will be developed at the Billy Hardy Sports Complex and at Northern Area Playing Field, Washington. Depending on funding allocations from the Football Foundation, the final development within the current Football Investment Strategy will see facility improvements at either Plains Farm Primary School or Ryhope Recreation.
- Provision of a new leisure centre within Washington containing a sports hall, a 25m swimming pool, learner pool, Wellness Centre, steam/sauna and outdoor football facilities. This will replace existing leisure facilities that are contained in buildings requiring a high level of maintenance and will provide long term efficiency savings.
- World Heritage Status site for St Peter's Church - the project will deliver the Landscape Vision for St Peter's Riverside, with improvements focusing on the grounds of St Peter's church and the immediate surrounds.
- Ongoing commitment to support the Bowes Railway Museum's wagonshop repairs.

New Starts

- Various works are to be undertaken within the City Library and Arts Centre to update public areas. This includes optimising space within the Sound and Vision service area and improving the self operated service provided within the Local Studies Library.

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	5,790	2,618	1,082	2,050	40		
Projects Commencing 2012/2013	11,605		805	3,000	7,800		
Projects Commencing 2013/2014	500			500			
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**17,895**	**2,618**	**1,887**	**5,550**	**7,840**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans - Unsupported Borrowing	1,323	4,260	7,800		
Government Grants					
- Department for Culture, Media and Sport	12				
Grants from Other Public Bodies					
- Football Foundation	55	245			
- Sport England		275			
Total External Sources	**1,390**	**4,780**	**7,800**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- City Services	1	19			
- Strategic Initiatives Budget		1			
Reserves					
- Strategic Investment Plan	41	600	40		
- Section 106 Reserve		150			
- Unutilised RCCO Reserve	150				
- Strategic Investment Reserve	305				
Total Internal Sources	**497**	**770**	**40**		
TOTAL FINANCING	**1,887**	**5,550**	**7,840**		

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
	Continuing Projects								
	Sports Facilities								
CP0043	Washington Leisure Centre	J Gray	132	120	12				
CP0044	Football Investment Strategy	J Gray	1,368	59	55	1,214	40		
CP0045	Houghton Primary Care Centre	M Poulter	2,400	2,324	76				
CP0046	Football Pavilion Improvements Ford Quarry	J Gray	19	13		6			
CP0047	Football Pavilion Improvements Silksworth Park	J Gray	23	21		2			
CP0048	Football Pavilion Imps Ryhope Colliery Welfare	J Gray	42	41	1				
CP0049	Football Pavilion Improvements Leyburn Grove	J Gray	70	2		68			
	Culture and Tourism								
CP0050	Restore Memorial Fountain - Roker Park	C Clark	1	1					
CP0051	World Heritage Site Public Realm - Wearmouth Jarrow	C Clark	1,700	37	903	760			
CP0052	Bowes Railway Museum Wagonshop Repairs	C Alexander	35		35				
TOTAL CONTINUING PROJECTS			**5,790**	**2,618**	**1,082**	**2,050**	**40**		
	Projects Commencing 2012/13								
	Sports Facilities								
CP0053	Washington Leisure Centre	J Gray	11,300		500	3,000	7,800		
	Culture and Tourism								
CP0055	Illuminations	C Alexander	75		75				
CP0056	Library Books	C Alexander	230		230				
TOTAL PROJECTS COMMENCING 2012/13			**11,605**		**805**	**3,000**	**7,800**		
	Projects Commencing 2013/14								
CP0158	Library Redesign	C Alexander	500			500			
TOTAL PROJECTS COMMENCING 2013/14			**500**			**500**			
TOTAL CAPITAL PROGRAMME			**17,895**	**2,618**	**1,887**	**5,550**	**7,840**		

CITY SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The City Services capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city
- A national hub of the low-carbon economy
- A prosperous and well-connected waterfront city centre
- An inclusive city economy for all ages
- A one city approach to economic leadership

It aims to do this by:

- Maintaining the existing highway including its bridges and structures in a safe and serviceable condition.
- Securing the safe and efficient movement and appropriate access for goods and people using the city's highways.
- Securing improvements to existing highways and the construction of new highways.
- Maintaining and enhancing coastal and seafront structures.
- Sourcing funding and establishing key partnerships to further develop the Council's play and urban games facilities for children and young people.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

Transport:

- Completion of the Highway Maintenance Programme which included over 80 road strengthening and footway reconstruction schemes.
- Improvement and development of cycling routes with the completion of schemes at Newport (Silksworth) and Southwick.
- Design and implementation of Local Safety Schemes including Castle Road and Barmston; 20 mph zones at Silksworth, the roads surrounding Barnes Junior and Infants Schools; new traffic signals at the former Wheatsheaf gyratory, Blue Bell junction, Stockton Road/Belvedere Road junction and Penshaw Bridge; improved pedestrian crossing facilities at Barnes Park Road, improved traffic management on the A690 Houghton Cut.
- Installation of further electric vehicle charging points across the city.

Play Provision:

- The Play Pathfinder programme is now completed with 28 new or significantly refurbished play areas. The Play and Urban Games Strategy (updated in 2007), indicated that just 19% of children & young people had access to high quality play 1km from their door. By the end of March 2012, this had increased to 70%.
- Significant play area updates have also been completed at Hylton Castle, Billy Hardy Sports Complex and also the South Hylton Environmental Project.

KEY MEDIUM TERM PRIORITIES

- Structural highway maintenance works on classified roads.
- Continue to support plans for the regeneration of the City Centre, River Corridor and Enterprise Zone.
- Coast Protection Works to protect coastal assets.
- Development of the Sunderland Strategic Transport Corridor (SSTC) which will contribute to reducing congestion, improving quality of the environment, economic success and reducing social exclusion. The transport corridor will extend from West Wear Street at the south side of the Wearmouth Bridge to the A19/A1231 including a new Wear Bridge crossing.
- Deliver the Local Sustainable Transport Fund project to support economic growth and reduce carbon emissions, delivering cleaner environments and improved air quality, enhanced safety and reduced congestion.
- Development of a programme of flood defence and drainage measures in response to increased flooding incidents.
- Improve cycling provision across the city.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- Many of the capital schemes contribute to improving traffic flows and reducing congestion within the city. This enables more efficient access to key sites contributing to the continued economic development of the city.
- Highway and bridge maintenance schemes ensure that the asset is maintained to a good condition to ensure the network can be used safely and conveniently by all users.

CITY SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Continue the programme of investment in schemes to improve the safety of highway users.
- Improvements to pedestrian and cycling facilities through the Local Sustainable Transport Fund.
- Commence the construction of the first phase of the Sunderland Strategic Transport Corridor (New Wear Bridge).
- Continue the programme of investment in schemes to improve conditions for cyclists.
- Continue the programme of investment in schemes to improve the condition of highways and their structures.
- Development of Route Action Plans for network management enhancements on Whitburn Road, Ryhope Road, Chester Road and Durham Road.
- Better Bus improvement scheme to optimize accessibility to the city centre along Borough Road.
- Implementation of a programme of Vehicle actuated speed signs throughout the city.
- Completion of Penshaw Bridge refurbishment scheme.
- Construction of Hendon Burn Culvert access shaft to allow ongoing maintenance of significant length of underground culverted waterways.
- Coast protection works at South Bents to Seaburn that will provide a rear flood protection wall to the promenade, affording protection to the A183 highway and adjacent residential and business properties.
- Coast protection works to prevent coastal erosion and flooding that may adversely impact on business at the Port of Sunderland.
- Continue a programme of play and urban games investment in schemes to improve facilities at Kirklee Playing Field. In addition, a new wheeled sports park will be developed in Downhill at the Community North Sports Complex. Priority play area developments will also be identified as part of a refresh to the existing Play and Urban Games Strategy Addendum 2010-2012.

New Starts

- Purchase of high volume water pumps and works that will mitigate the effect of extreme weather conditions such as the installation of new drainage systems, repair highways drainage networks, consolidation of unstable land and creating physical barriers for surface water to run off land.
- Works to improve the physical appearance of Sunderland Crematorium.
- Replacement of roads and footpaths in the events area at Herrington Country Park with a durable metalled surface to enable planned events to proceed causing whilst minimising damage to structures within the park.
- Installation of netting and other consolidation works at Houghton Cut to reduce potential accident risks.
- Improvement works to refurbish various historic parks to be carried out subject to successful Heritage Lottery Fund grant applications.
- A contribution to South Tyne and Wear Waste Management Partnership as part of the agreed strategy to create a new Waste Transfer Station on industrial land at Jack Crawford House, at Campdown in Wrekenton (including a visitor centre) and to improve the existing waste transfer station at Middlefields in South Shields.
- Continue the programme of investment in schemes to improve the safety of highway users.
- Continue the programme of investment in schemes to improve conditions for cyclists.
- Continue the programme of investment in schemes to improve the condition of highways and their structures.

CITY SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	167,498	56,561	6,682	35,771	46,335	22,149	
Projects Commencing 2012/2013	10,609		6,976	863	1,100	670	1,000
Projects Commencing 2013/2014	15,622			11,622	1,500	1,500	1,000
Projects Commencing 2014/2015	4,563				4,563		
Projects Commencing 2015/2016	4,279					4,279	
Projects Commencing 2016/2017	4,279						4,279
TOTAL CAPITAL EXPENDITURE	**206,850**	**56,561**	**13,658**	**48,256**	**53,498**	**28,598**	**6,279**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Loans - Unsupported Borrowing	4,437	13,398	9,536	4,013	(1,100)
Government Grants					
- LTP Transport Grant	5,916	6,096	6,063	5,779	5,779
- LTP Section 31 Transport Grant		28,073	36,867	17,623	
- Local Sustainability Transport Fund	83	153			
- Coast Protection	351	137	132	283	700
- Better Bus Fund	410	10			
Other Contributions	18				
Heritage Lottery Fund			900	900	900
Grants from Other Public Bodies					
- Homes and Communities Agency	500	42			
Nexus	215	187			
Total External Sources	**11,930**	**48,096**	**53,498**	**28,598**	**6,279**
FROM INTERNAL SOURCES					
Revenue Contributions					
- City Services	23				
- Strategic Initiatives Budget	148	35			
Reserves					
- Strategic Investment Plan	195				
- Other Capital Reserve	175				
- Other Capital Reserve - Section 38	60				
- Other Capital Reserve - Section 106	199	125			
- Unutilised RCCO Reserve	324				
Capital Receipts	604				
Total Internal Sources	**1,728**	**160**			
TOTAL FINANCING	**13,658**	**48,256**	**53,498**	**28,598**	**6,279**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
	Continuing Projects								
CP0001	Southern Radial Route	L Clark	40,861	40,115	542	204			
CP0002	Central Route - Scheme Development & Land Costs	L Clark	2,215	1,793	422				
CP0003	SSTC Ph2 (New Wear Bridge)	J Johnson	117,642	9,751	4,125	35,282	46,335	22,149	
	Local Transport Plan								
CP0004	Penshaw Bridge	L Clark	561	155	406				
CP0005	Integrated Transport - Electric Vehicle Charging Points	L Clark	163	123	40				
CP0006	Public Transport Schemes	L Clark	247	225	22				
CP0007	Local Safety Schemes (SIB/SIP)	L Clark	182	143	39				
CP0008	Washington Road Safety Measures	L Clark	541	527	14				
	Street Scene								
CP0009	Private Streetworks	L Clark	50		50				
CP0010	Ryhope Beach Access	L Clark	325	315	10				
CP0011	Central Car Park Demolition	L Clark	2,751	2,487	264				
CP0012	Recycling Bring Sites	L Clark	118	116	2				
CP0013	Sunderland Crematorium	L Clark	750	571	179				
	Coast Protection								
CP0014	Coastal Strategy Review Ph2	L Clark	105	90	15				
CP0015	Deptford Culvert Flood Risk Assessment	L Clark	24	1	23				
CP0016	Hendon Burn Culvert Safety Works	L Clark	364	39	200	125			
CP0017	Hendon Burn Culvert Flood Risk Assessment	L Clark	21	1	20				
CP0018	Hydrographic Survey	L Clark	53	7	46				
	Play Provision								
CP0019	Oxclose Play Area (SIB/SIP)	J Gray	45	36	9				
	Play and Urban Games Strategy :								
CP0020	South Hylton Environmental Project	J Gray	200	66	134				
CP0021	Hylton Castle play upgrade	J Gray	100		100				
CP0022	Kirklee Field	J Gray	100		20	80			
CP0023	North Area Skate Park	J Gray	80			80			
TOTAL CONTINUING PROJECTS			**167,498**	**56,561**	**6,682**	**35,771**	**46,335**	**22,149**	

CITY SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2012/13								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,326		2,326				
CP0025	Bridge Maintenance	L Clark	745		745				
CP0026	Integrated Transport - Economy	L Clark	842		690	152			
CP0027	Integrated Transport - Place	L Clark	864		647	217			
CP0028	Integrated Transport - People	L Clark	753		564	189			
CP0029	Public Transport Schemes	L Clark	65		65				
CP0030	Local Sustainable Transport Fund - Safer School Routes	L Clark	236		83	153			
CP0031	Cycleways	L Clark	55		55				
CP0032	Upgrade of C2C Cycleway (HCA)	L Clark	542		500	42			
CP0033	Coalfields Cycle Route	L Clark	60		60				
	Better Bus Areas Fund :-								
CP0034	- Borough Road	L Clark	595		585	10			
CP0035	- Intelligent Transport Systems	L Clark	50		50				
CP0036	Additional Transport priorities	L Clark							
	Parks								
CP0037	Thompson Park - Former Park Keepers House	C Clark	49		49				
	Coast Protection								
CP0038	South Bents to Seaburn (SF1)	L Clark	920		20	100	800		
CP0039	Port Area - Phase 1	L Clark	1,020		50		300	670	
CP0159	Port - Phase 2 indicative	L Clark	1,000						1,000
	Street Scene								
CP0040	Waste Containers	L Clark	175		175				
CP0041	Tractors and Mowers	L Clark	312		312				
TOTAL PROJECTS COMMENCING 2012/13			**10,609**		**6,976**	**863**	**1,100**	**670**	**1,000**
	Projects Commencing 2013/14								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,261			2,261			
CP0025	Bridge Maintenance	L Clark	500			500			
CP0026	Integrated Transport - Economy	L Clark	863			863			
CP0027	Integrated Transport - Place	L Clark	485			485			
CP0028	Integrated Transport - People	L Clark	725			725			
CP0006	Public Transport Schemes	L Clark	187			187			
CP0163	Houghton Cut Safety Works	L Clark	30			30			
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	1,630			630	500	500	
	Street Scene								
CP0165	Waste Transfer Station	L Clark	5,651			5,651			
CP0161	Improvements to the Crematorium	L Clark	140			140			
	Parks								
CP0162	Herrington Park Infrastructure	L Clark	150			150			
CP0164	Parks Improvement	L Clark	3,000				1,000	1,000	1,000
TOTAL PROJECTS COMMENCING 2013/14			**15,622**			**11,622**	**1,500**	**1,500**	**1,000**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2014/15								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,175				2,175		
CP0025	Bridge Maintenance	L Clark	350				350		
CP0026	Integrated Transport - Economy	L Clark	774				774		
CP0027	Integrated Transport - Place	L Clark	494				494		
CP0028	Integrated Transport - People	L Clark	770				770		
TOTAL PROJECTS COMMENCING 2014/15			**4,563**				**4,563**		
	Projects Commencing 2015/16								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	1,891					1,891	
CP0025	Bridge Maintenance	L Clark	350					350	
CP0026	Integrated Transport - Economy	L Clark	774					774	
CP0027	Integrated Transport - Place	L Clark	494					494	
CP0028	Integrated Transport - People	L Clark	770					770	
TOTAL PROJECTS COMMENCING 2015/16			**4,279**					**4,279**	
	Projects Commencing 2016/17								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	1,891						1,891
CP0025	Bridge Maintenance	L Clark	350						350
CP0026	Integrated Transport - Economy	L Clark	774						774
CP0027	Integrated Transport - Place	L Clark	494						494
CP0028	Integrated Transport - People	L Clark	770						770
TOTAL PROJECTS COMMENCING 2016/17			**4,279**						**4,279**
TOTAL CAPITAL PROGRAMME			**206,850**	**56,561**	**13,658**	**48,256**	**53,498**	**28,598**	**6,279**

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES, THE CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

The Responsive Services and Customer Care capital programme will contribute towards meeting the five Aims of the Sunderland Economic Masterplan:

- A new kind of university city.
- A national hub of the low-carbon economy.
- A prosperous and well-connected waterfront city centre.
- An inclusive city economy for all ages.
- A one city approach to economic leadership.

It aims to do this by:

- Developing the infrastructure that supports the delivery of the Council's improvement priorities.
- Providing a seamless customer interface across all channels of access that resolves demand at the earliest possible opportunity and at the lowest cost to the Council providing accessible, consistent, responsive and high quality services.

KEY MEDIUM TERM PRIORITIES

- Implementation of the Customer Service and Access Strategy action plan key principles.
- Delivery of the Customer Services Work programme.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The delivery of integrated customer services supports value for money by increasing first point of contact resolution, leading to less dual handling and increased efficiency.
- The implementation of the integrated technology platform will enable the wide-scale development of web self serve and the associated benefits of channel shift.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Provision of a customer services technology platform to improve the quality and accessibility of services.

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.12 £'000	Estimated Payments 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MAIN BLOCK							
Continuing Projects	400	130	170	100			
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
Projects Commencing 2016/2017							
TOTAL CAPITAL EXPENDITURE	**400**	**130**	**170**	**100**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FROM EXTERNAL SOURCES					
Total External Sources					
FROM INTERNAL SOURCES					
Reserves					
- Business Transformation Reserve	61				
- Unutilised RCCO Reserve	100				
Capital Receipts	9	100			
Total Internal Sources	**170**	**100**			
TOTAL FINANCING	**170**	**100**			

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.12	Estimated Payments				
					2012/13	2013/14	2014/15	2015/16	2016/17
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Customer Care								
CP0057	Customer Service Network Platform	L St Louis	400	130	170	100			
TOTAL CONTINUING PROJECTS			**400**	**130**	**170**	**100**			
TOTAL CAPITAL PROGRAMME			**400**	**130**	**170**	**100**			

Appendix 3

Prudential and Treasury Indicators 2013/2014 to 2015/2016

It should be noted that all of the prudential indicators continue to fully reflect the requirements of International Financial Reporting Standards (IFRS) which were introduced from 1st April 2010. Should any of the Council's prudential indicators be exceeded during the year then they will be reported to Cabinet and where appropriate full Council at the next appropriate meeting following the change.

The indicators that must be taken into account are set out below:

P1 Actual capital expenditure incurred in 2011/2012 was £56.847 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Estimated Capital Expenditure	67,777	110,913	97,702	42,727

An estimate has been made of future spend on the basis of indicative grants approved for 2013/2014 onwards. The profile of expenditure will be updated in the quarterly capital reviews to Cabinet as further projects are approved.

P2 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2011/2012 are:

Ratio of financing costs to net revenue stream

2011/2012 Actual	2012/2013 Estimate	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate
6.93%	7.13%	8.77%	10.43%	12.05%

The estimates of financing costs include current commitments and the proposals in the revenue budget and capital programme reports. The forecasts provide an indication of the impact of the capital investment plans on the Council's overall finances. They show an increase in anticipated ratios of financing costs to net revenue stream in future years as a result of forecast reductions in future years Government Funding allocations but also additional prudential borrowing proposed in the capital programme for strategic priorities.
The indicators also show an increase reflecting the fact that significant amounts of expenditure are planned to be financed from earmarked reserves which will lead to investment levels reducing over time.

The level of financing costs is considered to be affordable and has been taken into account when assessing the Medium Term Financial Strategy.

P3 Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31st March 2012 are:

Capital Financing Requirement

31/03/12 £000 Actual	31/03/13 £000 Estimate	31/03/14 £000 Estimate	31/03/15 £000 Estimate	31/03/16 £000 Estimate
239,073	262,374	306,802	348,932	363,470

The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best practice, Sunderland City Council does not associate individual borrowing taken out with particular items or types of expenditure. The Authority has an integrated Treasury Management Strategy and has fully adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The City Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose. The increase in the Capital Financing Requirement reflects the underlying borrowing need in respect of funding proposals in the capital programme reports.

Following accounting changes the Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases) brought onto the balance sheet. Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £33.560 million of such schemes included in its Capital Financing Requirement at 31st March 2012.

P4 CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following comparator between gross debt and the capital financing requirement as a key indicator of prudence (indicator revised in 2012):

> "In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Authority had no difficulty meeting this requirement in 2011/2012, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this report and the report elsewhere on today's agenda on the Revenue Budget and Proposed Council Tax 2013/2014.

P5 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt, gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as PFI schemes and finance leases. The Council is asked to approve these limits and to delegate authority to the Executive Director of Commercial and Corporate Services, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for the authority. Any such changes made will be reported to Cabinet and the Council at the next meetings following the change.

	Authorised Limit for External Debt			
	2012/2013 £000	**2013/2014 £000**	**2014/2015 £000**	**2015/2016 £000**
Borrowing	342,396	366,139	406,525	417,700
Other long term liabilities	34,928	32,463	31,893	30,294
Total	**377,324**	**398,602**	**438,418**	**447,994**

The Executive Director of Commercial and Corporate Services reports that these authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Executive Director of Commercial and Corporate Services also confirms that they are based on the estimate of most likely, prudent, but not worst case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes. It should be noted that the Council undertakes investment and borrowing on behalf of external bodies such as Tyne and Wear Fire and Rescue Authority. Treasury Management undertaken on behalf of other authorities is included in Sunderland's borrowing limits, however it is excluded when considering financing costs and when calculating net borrowing for the Council. A specific element of risk has also been taken into account for these bodies.

In taking its decisions on the Revenue Budget and Capital Programme for 2013/2014, the Council is asked to note that the authorised limit determined for 2013/2014, (see P5 above), will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

P6 The Council is also asked to approve the following operational boundary for external debt for the same time period and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. The proposed operational boundary for external debt is based on the same estimates as the authorised limit, but reflects directly the estimate of the most likely, prudent but not worst case scenario level, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to the Executive Director of Commercial and Corporate Services, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, similar to the authorised limit set out above.

The operational boundary limit will be closely monitored and a report will be made to Cabinet if it is exceeded at any point. In any financial year, it is generally only expected that the actual debt outstanding will approach the operational boundary when all of the long-term borrowing has been undertaken for that particular year and will only be broken temporarily as a result of the timing of debt rescheduling.

	Operational Boundary for External Debt			
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**
	£000	**£000**	**£000**	**£000**
Borrowing	304,083	322,863	363,852	375,606
Other long term liabilities	34,928	32,463	31,893	30,294
Total	**339,011**	**355,326**	**395,745**	**405,900**

P7 The Council's actual external debt at 31st March 2012 was £251.142 million and was made up of actual borrowing of £217.582 million and actual other long term liabilities of £33.560 million

The Council includes an element for long-term liabilities relating to PFI schemes and finance leases in its calculation of the operational and authorised boundaries to allow further flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at any one point in time and allowance needs to be made for cash flow variations.

P8 The estimate of the incremental impact of new capital decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

For Band D Council Tax		
2013/2014	**2014/2015**	**2015/2016**
£5.54	£23.03	£29.76

The estimates show the net revenue effect of all capital expenditure from all schemes commencing in 2012/2013 and the following two financial years.

These forward estimates that the Council is not committed to. They are based on the existing commitments, current plans and the capital plans detailed in this report. The cumulative effect of full year debt charges will have an additional impact of £31.65 in 2016/2017. There are no known significant variations beyond the above timeframe that would result from past events and decisions or the proposals in the budget report.

P9 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised Code was adopted on 3rd March 2010 by full council.

The objective of the Prudential Code is to provide a clear framework for local authority capital finance that will ensure for individual local authorities that:

(a) capital expenditure plans are affordable;

(b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

(c) treasury management decisions are taken in accordance with professional good practice;

and that in taking decisions in relation to (a) to (c) above the local authority is

(d) accountable, by providing a clear and transparent framework.

Further, the framework established by the Code should be consistent with and support:

(e) local strategic planning;

(f) local asset management planning;

(g) proper option appraisal.

In exceptional circumstances the objective of the Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the Authority can take timely remedial action.

CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2012/2013 to 2014/2015

P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £235 million in 2013/2014, £295 million in 2014/2015 and £300 million in 2015/2016.

P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £50 million in 2013/2014, £60 million in 2014/2015 and £60 million in 2015/2016.

P12 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period:

	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
over 50 years	100%	0%

P13 A maximum maturity limit of £75 million is set for each financial year (2013/2014, 2014/2015 and 2015/2016) for long term investments, (those over 364 days), made by the authority. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. Type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 6).

At present the Council has £16.787 million of long-term investments. This is £16.767 million for the value of share capital held in NIAL Holdings PLC. This equates to a 9.62% share in Newcastle International Airport. The Council also holds £0.020 million in government securities, other shares and unit trusts.

Minimum Revenue Provision Policy Statement 2013/2014

The Department for Communities and Local Government (DCLG) has provided statutory guidance on the methodology to use, which local authorities 'must have regard to' when assessing an appropriate Minimum Revenue Provision (MRP). The guidance recommends that authorities must submit to full Council an annual statement of its policy on making a MRP in respect of the following financial year and highlight which of the various options set out in their guidance will be followed.

1.1 Provision for the repayment of debt is considered to be prudent where the period of repayment is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Grant, reasonably commensurate with the period implicit in the determination of that grant. The major proportion of the MRP for 2013/14 will relate to the supported historic debt liability.

1.2 The four options for calculating MRP which were set out in the guidance can be summarised as follows:

- Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008.
- Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%.
- Option 3 – Asset Life Method: amortising expenditure over an estimated useful life for the relevant assets created. An assessment must be made of the asset life at the outset of the capital scheme and MRP is charged to revenue in either equal annual instalments or by an annuity method over the estimated life of the asset. The MRP charge will commence in the financial year following the one in which the asset comes into service.
- Option 4 – Depreciation Method: making charges to revenue in accordance with the standard rules for depreciation accounting for the particular asset being created or enhanced.

1.3 Estimated life periods will be determined under delegated powers. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, such as IT infrastructure, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives. The Council also reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.4 For 2013/2014, having considered all of the options available to the Council, it is proposed that the Council use Option 1 (the Regulatory Method) for government supported borrowing.
This is a continuation of the method currently used by the Council (using regulations 28 and 29 of the Capital Finance Regulations and the Local Government Act 2003) where MRP is calculated with regard to the 'credit ceiling' of the authority. This takes into account all loan advances and repayments through the Council's consolidated advances and borrowing pool with MRP being calculated at 4% of the opening 'credit ceiling' balance.

Option 1 is preferred as this option takes the formulae used by the government in calculating revenue support grant as its basis and better reflects the actual funding provided by government.

1.5 Neither of the two options recommended for future borrowing, for which no government support is being given and is therefore self-financed (options 3 and 4), reflect existing Council policy to accelerate debt repayments on unsupported borrowing through an increased voluntary MRP. The depreciation method for calculating MRP is also subject to volatility when asset lives are reassessed as part of the revaluation process.

1.6 The Council currently follows the criteria set out below for all unsupported borrowing and provides an increased voluntary MRP:

- In the case of invest to save schemes MRP is based on the payback period for any borrowing taken out (this requirement is relaxed where unsupported borrowing is taken out on behalf of trading services and areas which are subject to market pressures, to ensure that these services would not be put at an unfair disadvantage in comparison to any potential competitors);
- In cases where a full option appraisal shows borrowing to offer better value for money than leasing, MRP is based on the payment period that would have arisen had a lease been taken out instead of a loan;
- In the case of any form of grants, deposits or loans made for capital purposes that have been given in earlier years and any new grants, deposits or loans that may be made for which borrowing is taken out. MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided. This option is used for spend such as existing loans provided to Wearside College, mortgages provided in earlier years to householders under Right to Buy regulations, and capital spend in relation to loans, deposits and other grants made to support economic regeneration:

In other cases where unsupported borrowing is used to finance capital schemes then the option 3 asset life method of determining MRP is used with MRP charge commencing in the financial year following the one in which the asset comes into service.

1.7 Given budget pressures, it is proposed that opportunities for utilising the prudential framework be restricted to a level where provision has been made within the revenue budget and where the expenditure will either be used to support the Council's key priorities in terms of regeneration plans and strategic priorities, to fund invest to save schemes, or to support asset purchases where option appraisal of funding through borrowing instead of leasing is appropriate. The revenue budget is framed to enable such levels to be affordable and sustainable into future years.

1.8 For the purposes of the proposed regulations Option 3 is recommended for self-financed borrowing as this method is subject to less potential variation than Option 4. It is also recommended to continue existing practice for making MRP repayments using the criteria detailed in 6.6 above.

1.9 In addition, revised accounting guidelines to comply with IFRS were introduced for the financial year 2010/2011. The new standards had the effect of reclassifying operational leases, finance leases and PFI contracts and required these assets to be brought onto the Council's balance sheet. MRP policy used by the Council will ensure that there will be no impact on council taxpayers from revisions to accounting standards and that the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets i.e. the annual MRP charge will be an amount equal to the amount that has been taken to the balance sheet to reduce the liability for that asset.

1.10 In summary, it is recommended that the Council approves the following Minimum Revenue Provision Statement 2013/2014:

a) For all government supported borrowing the Council will adopt Option 1 as set out in the government guidance which is a continuation of the basis upon which the Council currently calculates MRP.

b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the equal instalment method with the estimated useful life of an asset being assessed by the Executive Director of Commercial and Corporate Services in consultation with appropriate officers.

c) For MRP payments in relation to finance leases and PFI contracts, the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets.

d) The Council will vary MRP payments to that indicated by the adoption of Option 3, with reference to the Council's framework detailed in 1.6 above. Any requirement to make additional voluntary MRP payments may be relaxed by the Executive Director of Commercial and Corporate Services where appropriate, in particular for any unsupported borrowing taken out on behalf of trading services, which are subject to market pressures.

Appendix 5

Treasury Management Policy Statement

In line with CIPFA recommendations, on the 3rd March 2010 the Council adopted the following Treasury Management Policy Statement, which defines the policies and objectives of its treasury management activities:

- The Council defines its treasury management activities as: "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council has an agreed Borrowing and Investment Strategy, the high level policies of which are as follows:

The basis of the agreed Borrowing Strategy is to:
- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Council's future borrowing requirement when market conditions are favourable;
- use a benchmark financing rate of 4.50% for long term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities, as appropriate.

The general policy objective for the Council in considering potential investments is the prudent investment of its treasury balances.
- the Council's investment priorities in order of importance are:
  1) The security of capital
  2) The liquidity of its investments and then
  3) The Council aims to achieve the optimum yield on its investments but this is commensurate with the proper levels of security and liquidity
- the Council has a detailed Lending List and criteria must be observed when placing funds – these are determined using expert TM advice, view of money market conditions and using detailed rating agency information as well as using our own market intelligence.

- Limits are also placed on the amounts that can be invested with individual and grouped financial institutions based on the Lending List and detailed criteria

The Council also re-affirms its commitment to the Treasury Management Policy and Strategy Statement each year.

Treasury Management Strategy Statement for 2013/2014

1. Introduction

1.1 The Local Government Act 2003 and subsequent guidance requires the Council to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2013/2014 is set out below and is based upon the Executive Director of Commercial and Corporate Services views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Sector Treasury Services.

1.2 The treasury management strategy covers:

A. Borrowing Policy and Strategy

- treasury limits for 2013/2014 to 2015/2016
- current treasury management position
- the borrowing requirement 2013/2014
- prudential and treasury management Indicators for 2013/14 to 2015/16
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

B. Annual Investment Policy and Strategy

- Investment policy and objectives
- the investment strategy
- investment types
- investments defined as capital expenditure
- investment limits
- provision for credit related losses
- creditworthiness policy
- monitoring of credit ratings
- past performance and current position
- outlook and proposed investment strategy
- external fund managers
- policy on use of external service providers

2. Borrowing Policy and Strategy

2.1 Treasury Limits for 2013/14 to 2015/16

It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and two successive financial years and details can be found in Appendix 3 of this report. The Council is asked to approve these limits and to delegate authority to the Executive Director of Commercial and Corporate Services, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long term liabilities where this would be appropriate. Any such changes made will be reported to Cabinet and the Council at their next meetings following the change.

Also, the Council is asked to approve the Operational Boundary Limits which are included in the Prudential Indicators (Appendix 3). This operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Council is also asked to delegate authority to the Executive Director of Commercial and Corporate Services, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2 Current Treasury Management Position

2.2.1 Interest Rates 2012/2013

The Bank of England Base Rate has remained at 0.50% since 5th March 2009 and Economists are united in their forecasts for the Bank Base Rate, with no change to the current 0.5% predicted until after the December 2014 quarter at the earliest. PWLB rates and bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to the sovereign debt crisis and to political developments in the Eurozone. This uncertainty is expected to continue into the medium term.

The government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided ‘improved information and transparency on their locally determined long-term borrowing and associated capital spending plans’ and who successfully applied and were eligible for the lower rate. The Council successfully applied to access loans at the lower PWLB certainty rate, which came into effect on 1st November 2012 and eligibility lasts until 31st October 2013 when authorities must reapply to access the PWLB certainty rate for the following 12 months.

Loan Type	**31st March 2012 %**	**31st December 2012* %**	**Difference %**
7 Day Notice	0.46	0.36	(0.10)
1 Month	0.57	0.37	(0.20)
PWLB – 1 Year	1.28	1.03	(0.25)
5 Years	2.05	1.70	(0.35)
10 Years	3.21	2.64	(0.57)
25 Years	4.32	3.87	(0.45)
50 Years	4.36	4.03	(0.33)

*Rates at 31/12/12 take into account a 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

2.2.2 **Long Term Borrowing 2012/2013**

The Council's strategy for 2012/2013 is to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 4.50% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2012/2013. Due to high levels of volatility in the financial markets, with borrowing rates still forecast to remain low over the short term, no new borrowing has been undertaken in the current financial year up to 16th January 2013, and no debt rescheduling has been undertaken as rates have not been considered sufficiently favourable.

The Council has nine market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the LOBO's that were subject to a potential rollover this financial year. No changes have been received and none are expected for the outstanding 2 roll over period LOBO's with Dexia.

Roll Over Dates	**Lender**	**Amount £m**	**Rate %**	**Roll Over Periods**
21/04/2012 and 21/10/2012	Barclays	5.0	4.50	Every 6 months
29/09/2012	Dexia	5.0	4.32	every 3 years
03/02/2013	Dexia	5.0	4.37	every 3 years
22/02/2013	Dexia	5.0	4.38	every 3 years
Total		**20.0**		

2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31st December 2012 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	142.9		
	Market (LOBO's)	24.5		
	Other	0.3	167.7	3.90
Variable Rate Funding	PWLB	0.0		
	Market (LOBO's)	15.0		
	Temporary / Other	29.2	44.2	2.01
Total Borrowing			**211.9**	**3.51**
Total Investments				
	In House–short term*		**238.9**	**1.89**
	long term		**14.9**	**8.60**
	Total Investments		**253.8**	
Net Position			**41.9**	

* The total investments figure includes monies invested on behalf of the North Eastern Local Enterprise Partnership for whom Sunderland City Council is the accountable body.

The Council currently has an excess of £41.9 million representing the difference between gross debt and total investments. However this position is expected to change over the next few years as the Council has to manage its finances with significantly less government funding. This could impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council will increase.

There are a number of risks and benefits associated with having both a large amount of debt whilst at the same time having a considerable amount of investments.

Benefits of having a high level of investments are;

- liquidity risk – having a large amount of investments means that the Council is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps the Council to address its Strategic Priorities;
- the Council has greater freedom in the timing of its borrowing as it can afford to wait until the timing is right rather than be subject to the need to borrow at a time when interest rates are not advantageous.

Risks associated with holding a high level of investments are;

- the Counterparty risk – institutions cannot repay the Council investment placed with them;
- interest rate risk – the rate of interest earned on the investments will be less than that paid on debt, thus causing a loss to the Council.

The Council has mitigated these risks by having a risk averse Treasury Management Investment Strategy and by detailed monitoring of counterparties through its borrowing and investment strategies and treasury management working practices and procedures.

2.3 **Borrowing Requirement 2013/2014**

The Council's borrowing requirement is as follows**:**

		2013/14 £m	2014/15 £m	2015/16 £m
1.	Capital Borrowing (potential)	44.4	42.2	14.6
2.	Replacement borrowing (PWLB)	5.0	10.0	0.0
3.	Replacement borrowing (Market)	0.0	0.0	0.0
4.	Market LOBO replacement (potential)	10.0	19.5	20.0
TOTAL – KNOWN (2+3)		**5.0**	**10.0**	**0.0**
TOTAL – POTENTIAL (1+4)		**54.4**	**61.7**	**34.6**

2.4 **Prudential and Treasury Management Indicators for 2013/2014 – 2015/2016**

Prudential and Treasury Indicators (as set out in Appendix 3) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 20th November 2002 and the revised 2009 Code was adopted by the full Council on 3rd March 2010. The Code has been revised in November 2011 and the Council re-affirms its full adherence to the code annually (as set out in Appendix 5).

2.5 **Prospects for Interest Rates**

The Council's treasury advisors are Sector Treasury Services and part of their service is to assist the Council to formulate a view on interest rates. A number of current City forecasts for short term (Bank Rate) and longer fixed interest rates are set out in Annex A. The following gives the Sector Treasury Services Bank Rate forecast for the next 4 financial years.

- 2012/2013 0.50%
- 2013/2014 0.50%
- 2014/2015 0.50% - 0.75%
- 2015/2016 0.75% - 1.75%

There are downside risks to these forecasts (increase in Bank Rate is delayed further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate. A detailed view of the current economic background is contained within Annex B to this report. The position will be closely monitored to ensure the Council takes appropriate action as necessary under either scenario.

2.6 Borrowing Strategy

2.6.1 Borrowing rates

The Sector forecast in respect of interest rates for loans charged by the PWLB is as follows: -

Annual Average %	**Bank Rate**	**PWLB Borrowing Rates (including certainty rate adjustment)**		
		5 year	**25 year**	**50 year**
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

A more detailed forecast from Sector is included in Annex A.

The main sensitivities of the forecast are likely to be;

- if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still relatively cheap.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around a relapse into recession or, a risk of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

Council officers, in conjunction with the Council's treasury advisers, monitor both the prevailing interest rates and the market forecasts. With long-term interest rate forecasts set to remain around their current levels the Executive Director of Commercial and Corporate Services, taking into account the advice of the Council's treasury adviser considers a benchmark financing rate of 4.50% for any further long-term borrowing for 2013/2014 to be appropriate.

Consideration will be given to various options, including utilising some investment balances to fund the borrowing requirement in 2013/2014. The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required, and flexibility needs to be retained to adapt to any changes that may occur.

The Executive Director of Commercial and Corporate Services, taking advice from the Council's treasury advisers will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

2.7 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be assessed within the relevant Capital Financing Requirement calculations / estimates, and will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance of activity will be subject to prior appraisal and borrowing undertaken will be reported to Cabinet as part of the agreed treasury management reporting arrangements.

2.8 Debt Rescheduling

The reasons for any rescheduling of debt will include:

- the generation of cash savings at minimum risk;
- in order to help fulfil the Treasury Management Strategy; and
- in order to enhance the balance of the long-term portfolio (by amending the maturity profile and/or the balance of volatility).

In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. For example, since November 2008 the Council has rescheduled debt worth £59.5 million with an ongoing reduction in interest costs of just under £1.0 million per annum. The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB debt restructuring is much less attractive than it was before both of these measures were introduced. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as the source of replacement financing but this would only be the case where this would represent best value to the Council.

The latest interest rate projections for 2013/2014 show short term borrowing rates will be considerably cheaper than longer term rates and as such there may be potential for some opportunities to generate savings by switching from long term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred), their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

The Council is keeping a watching brief on market conditions in order to secure further debt rescheduling when, and if, appropriate opportunities arise. The timing of all borrowing and investment decisions inevitably includes an element of risk, as those decisions are based upon expectations of future interest rates. The policy to date has been very firmly one of risk spread and this prudent approach will be continued.

Any rescheduling undertaken will be reported to Cabinet, as part of the agreed treasury management reporting arrangements.

3. Annual Investment Policy and Strategy

3.1 Investment Policy and Objectives

When considering its investment policy and objectives, the Council has taken regard to the Department of Communities and Local Government's (CLG) Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The Council's investment objectives are: -

(a) the security of capital, and
(b) the liquidity of its investments.

The Council also aims to achieve the optimum return on its investments but commensurate with proper levels of security and liquidity. The risk appetite of the Council is regarded as low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

3.2 Investment Strategy

This Strategy sets out:

- the procedures for determining the use of each class of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments";
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;

- whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers, (if used); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisers;
- the minimum amount to be held in short-term investments (i.e. an investment which the Council may require to be repaid or redeemed within 12 months of making the investment).

3.3 Investment Types

The Council is allowed to invest in two types of investment, namely Specified Investments and Non-specified Investments.

Specified Investments are those investments that are for a period of less than one year, are not classed as capital expenditure, and are placed with high credit rated counterparties. Within these bodies and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies that will be invested with these bodies.

Non-specified Investments are any investments which are not classified as specified investments. As the Council only uses high credit rated counterparties this means in effect that any investments placed with those counterparties for a period of one year or more will be classed as Non-specified Investments. Any investment by the Council in this type of investment whether classed as capital expenditure (see 3.4 below) or as a simple revenue investment will be subject to a full appraisal and reported to Cabinet for approval.

The type of investments to be used by the in-house team will be limited to term deposits, interest bearing accounts, Money Market Funds, treasury bills and gilt edged securities and will follow the criteria as set out in Annex C.

3.4 Investments Defined as Capital Expenditure

The acquisition of share capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments have to be funded out of capital or revenue resources and are classified as 'non-specified investments'.

A loan or grant by this Council to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by the Council. It is therefore important for the Council to clearly identify if the loan has been made for policy reasons or if it is an investment for treasury management purposes. Only the latter will be governed by the framework set by the Council for 'specified' and 'non-specified' investments.

3.5 **Investment Limits**

One of the recommendations of the Code is that local authorities should set limits for the amounts of investments that can be placed with institutions by country, sector and group. These limits are applied in the Council's Counterparty criteria set out in Annex C.

The minimum amount of overall investments that the Council will hold in short-term investments (less than one year) is £50 million. As the Council has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of these short-term investments maturing within 6 months.

A maximum limit of £75 million is to be set for in-house non-specified investments over 364 days up to a maximum period of 2 years. This amount has been calculated by reference to the Council's cash flows, including the potential use of earmarked reserves. The Executive Director of Commercial and Corporate Services will monitor long-term investment rates and identify any investment opportunities if market conditions change.

3.6 **Provisions for Credit Related Losses**

If any of the Council's investments appear at risk of loss due to default, (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates), then the Council will make revenue provision of an appropriate amount in accordance with proper accounting practice or any prevailing government regulations, if applicable. This position has not occurred and the Council mitigates this risk with its prudent investment policy.

3.7 **Creditworthiness policy**

The creditworthiness policy adopted by this Council takes into account not only the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also, available market data and intelligence such as Credit Default Swap levels and share prices, the level of government support to financial institutions and advice from its Treasury Management advisors.

Set out in Annex D is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment.

3.8 **Monitoring of Credit Ratings**

- All credit ratings are monitored on a daily basis. The Council has access to all three credit ratings agencies and is alerted to changes through its use of the Sector Treasury Services credit worthiness service.

- If a counterparty's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the Council will cease to place funds with that counterparty. The Council will also immediately inform its external fund manager(s), if used, to cease placing funds with that counterparty.

- If a counterparty's rating is downgraded with the result that, their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa. The Council will also immediately inform its external fund manager(s), if used, of any such change(s).

Should fund managers be employed by the Council, the Council will establish with its fund manager(s) their credit criteria and the frequency of their monitoring of credit ratings so as to be satisfied as to their adherence to the Council's policy.

The ratings agencies have reaffirmed the UK's AAA sovereign rating. They have, though, warned that this could be reviewed if Government policy were to change, or was seen to be failing to achieve its desired outcome. Should the UK Government AAA sovereign rating be withdrawn the Council's Investment Strategy and Lending List criteria will be reviewed and any changes necessary will be reported to Cabinet.

3.9 **Past Performance and Current Position**

During 2012/2013 the Council did not employ any external fund managers, all funds being managed by the in-house team. The performance of the fund by the in-house team is shown below and compares this with the relevant benchmarks and performance from the previous year:

	2011/12 Return %	**2011/12 Benchmark %**	**To date 2012/13 Return %**	**To date 2012/13 Benchmark %**
Council	1.62	0.49	1.89	0.41

During 2013/2014 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. The performance of the Council compared well with other local authorities and is in the top quartile.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2013/2014 are likely to range between £100 million and £250 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2013/2014, with short-term interest rates forecast to be materially below long-term rates, it is possible that some investment balances may be used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

The Council is not committed to any investments, which are due to commence in 2013/2014, (i.e. it has not agreed any forward deals).

Activities likely to have a significant effect on investment balances are:

- Capital expenditure during the financial year, (dependent upon timing), will affect cash flow and short term investment balances;
- Any reprofiling of capital expenditure from, and to, other financial years will also affect cash flow, (no reprofiling has been taken into account in current estimates);
- Any unexpected capital receipts or income;
- Timing of new long-term borrowing to fund capital expenditure;
- Possible funding of long-term borrowing from investment balances (dependent upon appropriate market conditions).

The Executive Director of Commercial and Corporate Services, in conjunction with the Council's treasury adviser Sector Treasury Services, and taking into account the minimum amount to be maintained in short-term investments, will continue to monitor investment rates closely and to identify any appropriate investment opportunities that may arise.

It is proposed that delegated authority continues for the Executive Director of Commercial and Corporate Services, in consultation with the Cabinet Portfolio holder for Resources, to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to Cabinet retrospectively, in accordance with normal treasury management reporting procedures.

3.11 **External fund managers**

At present the Council does not employ any external fund managers.

Should the Council appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These external fund managers will work to the following parameters:

- The institutions on the Approved Lending list of the external manager must correspond to those agreed with Sunderland City Council (i.e. only institutions on Sunderland City Council's Approved Lending List to be included as shown in Annex D);
- they will be allowed to invest in term deposits, Certificates of Deposit (CD's) and government gilt securities;
- An investment limit of £3 million per institution (per manager);
- A maximum limit of 50% fund exposure to government gilts;
- A maximum proportion of the fund invested in instruments carrying rates of interest for periods longer than 364 days shall not exceed 50%. It is proposed to only recommend the use of fixed term deposits up to a maximum of 2 years.

3.12 **Policy on the use of external service providers**

The Council uses Sector as its external treasury management advisers. The Council recognises that responsibility for treasury management decisions remain with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

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

4. **Scheme of delegation**

4.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy (TMS) is approved annually by the full Council and receives, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 30th September of the following year. In addition quarterly reports are made to Cabinet and the Audit and Governance Committee and monitoring reports are reviewed by members in both executive and scrutiny functions respectively. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

The Council has the following reporting arrangements in place in accordance with the requirements of the Code: -

Area of Responsibility	**Council/ Committee/ Officer**	**Frequency**
Treasury Management Policy Statement (revised)	Full Council	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy – mid year report	Full Council	Mid year
Treasury Management Strategy / Annual Investment Strategy –updates or revisions at other times	Full Council	As appropriate
Annual Treasury Management Outturn Report	Full Council	Annually by 30/9 after the end of the financial year
Treasury Management Monitoring Reports	Executive Director of Commercial and Corporate Services	Monthly
Treasury Management Practices	Executive Director of Commercial and Corporate Services	Annually
Scrutiny of Treasury Management Strategy	Cabinet / Audit and Governance Committee	Annually before Full Council
Scrutiny of Treasury Management Performance	Cabinet / Audit and Governance Committee	Quarterly

5. The Treasury Management Role of the Section 151 Officer

5.1 The Executive Director of Commercial and Corporate Services is the Council's Section 151 Officer and has specific delegated responsibility in the Council's Constitution to manage the borrowing, financing, and investment requirements of the Council in accordance with the Treasury Management Policy agreed by the Council. This includes;

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

Appendix 6

ANNEX A

Interest Rate Forecasts
The data set out overleaf shows a variety of forecasts published by Sector Treasury Services, Capital Economics (an independent forecasting consultancy) and UBS (which represents summarised figures drawn from the population of all major City banks and academic institutions).

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

Appendix 6

1. Interest Rate Forecasts

Sector's Interest Rate View															
	Now	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
3 Month LIBID	0.40%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%	1.40%	1.70%	1.90%
6 Month LIBID	0.56%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%	1.60%	1.90%	2.20%
12 Month LIBID	0.92%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%	1.80%	2.10%	2.40%
5yr PWLB Rate	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
10yr PWLB Rate	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
25yr PWLB Rate	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
50yr PWLB Rate	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
Bank Rate															
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Sector's View	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
UBS	1.66%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	1.66%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.50%	1.60%	-	-	-	-	-
10yr PWLB Rate															
Sector's View	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
UBS	2.64%	2.80%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	-	-	-	-	-
Capital Economics	2.64%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	-	-	-	-	-
25yr PWLB Rate															
Sector's View	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
UBS	3.88%	4.00%	4.20%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	-	-	-	-	-
Capital Economics	3.88%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	-	-	-	-	-
50yr PWLB Rate															
Sector's View	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
UBS	4.04%	4.10%	4.30%	4.40%	4.50%	4.60%	4.60%	4.60%	4.60%	4.60%	-	-	-	-	-
Capital Economics	4.04%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

ANNEX A

2. Survey of Economic Forecasts

HM Treasury January 2013

The current Q4 2012 and 2013 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury December 2012 report.

BANK RATE FORECASTS	quarter ended		annual average Bank Rate		
	Q4 2012	Q4 2013	ave. 2014	ave. 2015	ave. 2016
Median	0.49%	0.53%	0.74%	1.44%	2.04%
Highest	0.50%	1.50%	1.60%	4.02%	3.60%
Lowest	0.25%	0.25%	0.25%	0.50%	0.50%

ANNEX B

Economic Background

1.1 Global economy

The Eurozone debt crisis has continued to depress growth in most countries within the World. This has impacted on the UK economy which is unlikely to grow significantly in 2012 and is creating problems that may hamper recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the UK economy and this recession is the worst and slowest recovery of any of the five recessions experienced since 1930. A return to growth of around 1% in quarter 3 is unlikely to prove anything more than a temporary improvement before a return to weak, or negative, growth in quarter 4.

Eurozone

The Eurozone sovereign debt crisis has abated following the European Central Bank's (ECB) pledge to buy unlimited amounts of bonds of countries which require a bailout. The immediate target for this action was Spain which continues to prevaricate on making such a request (for a national bailout) and so surrendering its national sovereignty to IMF supervision. However, the situation in Greece is heading towards a critical point as the Eurozone faces up to having to relax the time frame for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many experts still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP i.e. unsustainably high, unless the Eurozone were to accept a major write down of Greek debt. The possibility of a write down has now been raised by the German Chancellor, but not until 2014-15, and provided the Greek annual budget is in balance.

Sentiment in financial markets has improved considerably since this ECB action and the recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this solution to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

United States

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy with large amounts of quantitative easing (QE) combined with a commitment to a continuation of very low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener to economic growth discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy if not resolved. However, the housing market does look as if it has reached the bottom and house prices are now on the up.

Emerging Markets

Hopes for a broad based recovery have, therefore, focused on the emerging markets. However, there are increasing concerns over warning signs in various parts of the Chinese economy that indicate it could be in risk of heading for a hard landing rather than a gradual slow down.

1.2 UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order, have now had to be extended (in the autumn statement) over a longer period than the original four years now into 2017/18. Achieving this new extended time frame will still be dependent on the UK economy returning to a reasonable pace of growth towards the end of this period. It was important for the Government to carry out these measures to retain investor confidence in the UK.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is little evidence that consumer confidence levels are recovering nor that the manufacturing sector is picking up. On the positive side, growth in the services sector rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had time to make a significant impact. Finally, the housing market remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth

Economic growth has remained flat since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE to stimulate economic activity regardless of any short-term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment

The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate

Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating

The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

1.3 Economic Forecast

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the Greek government was unable to eliminate the annual budget deficit and the costs of further support were to be viewed as being prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;

- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;

- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;

- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;

- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;

- stimulus packages failing to stimulate growth;

- elections due in Germany in 2013;

- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

- the potential for action to curtail the Iranian nuclear programme

- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, The Councils Treasury Advisers, Sector, sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields

- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held

- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone

- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth

- The possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's Aaa rating at the start of 2013).

Appendix 6

Lending List Criteria **ANNEX C**

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisors.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	**Fitch Short Term Rating**	**S&P's Short Term Rating**	**Moody's Long Term Rating**	**Moody's Short Term Rating**	**Maximum Deposit £m**	**Maximum Duration**
AAA	F1+	A1+	Aaa	P-1	90	2 Years
AA+	F1+	A1+	Aa1	P-1	50	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	364 days
A+	F1	A-1	A1	P-1	10	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					90	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £80 million with a maximum of £40 million in any one fund.					80	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AAA will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

Where any banks / building societies have been a part of the UK Government's Credit Guarantee scheme (marked with * in the Approved Lending List), these counterparties will have an AA rating applied to them thus giving them a credit limit of £40 million for a maximum period of 364 days

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above, these new limits are as follows:

ANNEX C

Country Limit
It is proposed that only countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £40 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350 million will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non UK	40

Sector Limit
The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
UK Building Societies	150
Money Market Funds	80
Foreign Banks	40

Group Limit
Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the government's guarantee scheme is still in place;
- the UK continues to have a sovereign credit rating of AAA; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Annex D

Appendix 6

Approved Lending List **ANNEX D**

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
UK	AAA				Aaa			AAA		350	2 years
Lloyds Banking Group (see Note 1)										**Group Limit 90**	
Lloyds Banking Group plc	A	F1	bbb	1	A3	-	-	A-	A-2	90	2 years
Lloyds TSB Bank Plc	A	F1	bbb	1	A2	P-1	C-	A	A-1	90	2 years
Bank of Scotland Plc	A	F1	-	1	A2	P-1	D+	A	A-1	90	2 years
Royal Bank of Scotland Group (See Note 1)										**Group Limit 90**	
Royal Bank of Scotland Group plc	A	F1	bbb	1	Baa1	P-2	-	A-	A-2	90	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	A3	P-2	D+	A	A-1	90	2 years
National Westminster Bank Plc	A	F1	-	1	A3	P-2	D+	A	A-1	90	2 years
Ulster Bank Ltd	A-	F1	ccc	1	Baa2	P-2	D-	BBB+	A-2	90	2 years
Santander Group *										**Group Limit 40**	
Santander UK plc	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
Cater Allen	-	-	-	-	-	-	-	-	-	40	364 days
Barclays Bank plc *	A	F1	a	1	A2	P-1	C-	A+	A-1	40	364 days
HSBC Bank plc *	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+	40	364 days

Appendix 6

ANNEX D (continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	A+	F1	a+	1	A2	P-1	C	A+	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	aa-	1	A1	P-1	B-	AA-	A-1+	40	364 days
Clydesdale Bank / Yorkshire Bank **/***	A	F1	bbb	1	A2	P-1	C-	BBB+	A-2	0	
Co-Operative Bank Plc	BBB+	F2	bbb+	3	A3	P-2	C-	-	-	0	
Virgin Money ***	BBB	F3	bbb	5	-	-	-	BBB+	A-2	0	
Top Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS ***	BBB+	F2	bbb+	5	Baa2	P-2	C-	A-	A-2	0	
Coventry BS	A	F1	a	5	A3	P-2	C	-	-	5	6 Months
Skipton BS ***	BBB-	F3	bbb-	5	Ba1	NP	D+	-	-	0	
Leeds BS	A-	F2	a-	5	A3	P-2	C	-	-	5	6 Months
West Bromwich BS ***	-	-	-	-	B2	NP	E+	-	-	0	
Principality BS ***	BBB+	F2	bbb+	5	Ba1	NP	D+	-	-	0	
Newcastle BS ***	BB+	B	bb+	5	-	-	-	-	-	0	
Nottingham BS ***	-	-	-	-	Baa2	P-2	C-	-	-	0	
Foreign Banks have a combined total limit of £40m											
Australia	AAA	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days

ANNEX D (continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Canada	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa2	P-1	B-	A+	A-1	20	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa3	P-1	C+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Money Market Funds										80	Liquid
Prime Rate Stirling Liquidity	AAA							AAA		40	Liquid
Insight Liquidity Fund					AAA			AAA		40	Liquid
Ignis Sterling Liquidity	AAA							AAA		40	Liquid

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AAA rating applied to them thus giving them a credit limit of £90 million

* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme. The counterparties in this section will have an AA rating applied to them thus giving them a credit limit of £40 million

** The Clydesdale Bank (under the UK section) is owned by National Australia Bank

*** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the FSA is classed as a UK bank for the purposes of the Approved Lending List.

Appendix 6