Sunderland City Council

Item No. 9(i)

CABINET MEETING – 16TH FEBRUARY 2011

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:
Capital Programme 2011/2012 and Treasury Management Policy and Strategy 2011/2012, including Prudential Indicators for 2011/2012 to 2013/2014.

Author(s):
Executive Director of Commercial and Corporate Services

Purpose of Report:
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 2011/2012 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2011/2012 and to approve the Prudential Indicators for 2011/2012 to 2013/2014.

Description of Decision:
Cabinet is requested to recommend to Council approval of:

- the proposed Capital Programme for 2011/2012
- the Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies);
- the prudential indicators for 2011/2012 to 2013/2014
- the Annual Minimum Revenue Provision Statement for 2011/2012

Is the decision consistent with the Budget/Policy Framework?
No – this report is integral in reviewing and amending the Budget and Policy Framework.

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:
To comply with statutory requirements.

Alternative options to be considered and recommended to be rejected:
No alternatives are submitted for Cabinet consideration.

Is this a "Key Decision" as defined in the Constitution? Yes **Is it included in the Forward Plan?** Yes	**Relevant Scrutiny Committee:** Management Scrutiny Audit and Governance

Cabinet - 16th February 2011

Capital Programme 2011/2012 and Treasury Management Policy and Strategy 2011/2012, including Prudential Indicators for 2011/2012 to 2013/2014.

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 2011/2012 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2011/2012 and to set the Prudential Indicators for 2011/2012 to 2013/2014.

2. **Description of Decision**

Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2011/2012;
- the Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies);
- the prudential indicators for 2011/2012 to 2013/2014;
- the Annual Minimum Revenue Provision Statement for 2011/2012.

3. **Capital Programme 2011/2012**

General

3.1 The proposed Capital Programme for 2011/2012 totals £76.228 million and reflects ongoing capital scheme commitments from previous years of £39.392 million, slippage of £10.800 million from 2010/2011 and new starts of £26.036 million. The details of the full Capital Programme for 2011/2012 are included as Appendix 2 and the proposed new starts are set out in Appendix 1 which the rest of this section of the report covers in more detail.

Resources Available for new Starts

Resources - Grants

3.2 As reported to Cabinet in January 2011 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 new Government Grants announced for 2011/2012 onwards.

	2011-12 £000s	**2012-13 £000s**	**2013-14 £000s provisional**	**2014-15 £000s provisional**
Highways Capital Maintenance	2,804	2,919	2,877	2,768
Highways Integrated Transport	2,008	2,141	2,141	3,011
Total Transport	**4,812**	**5,060**	**5,018**	**5,779**
Education Capital Maintenance	3,979			
Education Basic Need	3,308			
Total Education*	**7,287**			
Department of Health	**829**	**845**		
Total Government Grants	**12,928**	**5,905**	**5,018**	**5,779**
*In addition the Department for Education has announced funding of £2.051m for which schools will have direct responsibility.				

The above table shows significantly reduced grants of over 50% compared to previous years, which have been considered in drafting of proposals for future years capital programmes submitted by Directorates. The Council is still awaiting details of future years grant funding in a number of areas such as Major Transport Schemes and an indicative allocation of £1.097m for 2011/2012 and £0.845m for 2012/2013 has been received in respect of Disabled Facilities Grants.

Any further grant approvals which are received will be reported to Cabinet as part of the regular capital programme reviews during the year together with any proposals for additional schemes as appropriate.

Resources – Capital Receipts

3.3 Due to the effects of the economic downturn and the fact that the housing market is still depressed, economic recovery is expected to continue to be slow. As a result, very few capital receipts have been, or are anticipated to be received in 2010/2011 or in 2011/2012.

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.

Resources – Other

3.4 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.

After reviewing the above and taking into account capital commitments, resources available to support new starts at this stage total £4.470 million for 2011/2012 and £2.570 million for 2012/2013.

In addition there are a number of projects which are eligible for funding through prudential borrowing on either an 'invest to save' basis or in order to enable strategic priorities of the Council to proceed. The proposed revenue budget includes prudent provision for capital financing charges that may arise from an additional £10.057 million of prudential borrowing in 2011/2012 and £11.700 million in 2012/2013. The revenue budget is framed to enable such levels to be affordable and sustainable into future years.

Detailed Proposals for New Starts and Capital Programme 2011/2012

3.5 Since the January 2011 Cabinet meeting, consultation with the appropriate Cabinet Portfolio Holders has been undertaken on the proposals to utilise the resources available for new starts. Account was taken of the priorities set out in the Sunderland Economic Masterplan and also the outcome of budget consultations. Details of proposed new capital projects are detailed in Appendix 1. The recommended Capital Programme is included in full as Appendix 2 to this report.

Further Reports

3.6 In accordance with the Council’s Constitution, prior to commencement of projects, details of all new schemes with an estimated cost in excess of £250,000 need to be reported for approval to Cabinet utilising the capital investment appraisal documentation which outlines the detail of the scheme, the outputs and outcomes expected together with funding sources and the consequential revenue implications.

3.7 For schemes below £250,000, full capital investment appraisal documentation needs to be prepared and 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 was 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 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 2011/2012, 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 2011/2012 for the Council is set out in Section 6.11 a) to d) of Appendix 4.

5. Treasury Management

5.1 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 (Appendix 6).

The Department of Communities and Local Government issued revised investment guidance which came into effect from 1 April 2010. There are no major changes required over and above the arrangements that the Council already has in place and were included in the revised CIPFA Treasury Management Code of Practice 2009 that the Council fully adheres to.

5.3 **CIPFA requirements**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 3rd March 2010.

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 however.

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, 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, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Council has previously nominated the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5.4 **Treasury Management Strategy for 2011/2012**

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 2011/2012 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 2011/2012 is set out in Appendix 6 and is based upon the views of the Executive Director of Commercial and Corporate Services, supplemented with market data, market information and leading market forecasts 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. It is pleasing to note that the Council's current average rate of borrowing at 3.35% is low in comparison with other local authorities whilst the current rate earned on investments at 1.49% is higher than the benchmark rate. In addition debt rescheduling undertaken by the Council 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. Market conditions are under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. Suggested Reason for Decision

6.1 To comply with statutory requirements.

7. Alternative Options

7.1 No alternatives are submitted for Cabinet consideration

Background Papers

Various Notifications regarding Capital Resources for 2011/2012
Sector City Watch (Monthly)
Local Government Act 2003
The Prudential Code for Capital Finance in Local Authorities
Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Fully Revised Second Edition 2009)
Treasury Management in the Public services Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (Fully Revised Third Edition)

Appendix 1

Capital Programme 2011/2012 – New Starts

1.0 **Children's Services Capital Proposals 2011/2012**

1.1 The Secretary of State for Education, Michael Gove announced details of schools capital funding for 2011/2012 as part of the Local Government Finance Settlement on 13th December 2010.

Detail of the grant allocations for Sunderland are set out in the table below.

	2010/2011 Original Allocation £'000	**2010/2011 Revised June Allocation £'000**	**2011/2012 Allocation £'000**
Education – LA Block			
Primary Capital Grant	6,470	6,470	0
Modernisation	2,923	2,923	0
Capital Maintenance	0	0	3,979
Extended Schools	256	117	0
Basic Need	865	865	3,308
Schools Access Initiative	513	513	0
Harnessing Technology	1,042	519	0
	12,069	**11,407**	**7,287**
Schools Block			
Local Authority Devolved Formula Capital (Standards Fund)	4,076	4,076	770
Local Authority Voluntary Aided Devolved Formula Capital (Standards Fund)	1,068	1,068	222
Local Authority Co-ordinated Voluntary Aided Programme	1,371	1,371	1,059
	6,515	**6,515**	**2,051**
Other			
Children's Social Care	50	50	0
Youth Capital Fund Grant	174	87	0
Sure Start, Early Years and Childcare Grant	1,050	1,050	0
	1,274	**1,187**	**0**
All Capital Approvals	**19,858**	**19,109**	**9,338**

1.2 **Proposals for Children's Services Capital Programme New Starts 2011/2012**

1.2.1 In 2011/12 Sunderland City Council will be allocated £3.308 million in Basic Need funding and £3.979 million for Capital Maintenance.

1.2.2 Education Capital has been severely reduced with a 60% reduction nationally compared to 2010/11 funding levels (largely due to the demise of Building Schools for the Future). The allocation has been provided for 2011/12 only, pending the outcome of the James Review commissioned by the Coalition Government and due to report later this year.

1.2.3 Basic Need (BN) funding will provide new school places where needed and must cover the needs of maintained and voluntary aided (VA) schools. There is no requirement for new places in community schools (or academies) at present given continuing levels of surplus places but the Council will need to discuss a pro-rata share of this funding with the Dioceses and potentially Academy Trusts. As neither BN or Capital Maintenance funds are ring fenced it is proposed to treat both allocations as a single sum to address urgent maintenance priorities in secondary non-BSF schools and primary schools.

1.2.4 The Asset Management Plan identifies significant levels of capital maintenance necessary. This work includes the replacement of life-expired boiler plant, water systems, infrastructure, roofing and windows. The estimated cost for Priority 1 work in secondary schools is £2.838 million and in primary schools this is £2.833 million.

1.2.5 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.

1.2.6 The Council also has statutory responsibilities in relation to Health and Safety in schools which must be funded through capital maintenance budgets. It is proposed to undertake a comprehensive programme in 2011/2012 in relation to legionella prevention.

1.2.7 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 is to be 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).

1.2.8 In addition Devolved Formula Capital grant, allocated to schools, will reduce by 75% in 2011/12. A typical secondary school will now receive approximately £25,000 with a typical primary school receiving around £6,000 - £7,000 per year to address maintenance priorities or to upgrade ICT stock.

Appendix 1

2.0 Highways Capital Proposals 2011/2012

2.1 The table below details new Government Grants announced by the Department for Transport for 2011/2012 onwards.

	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s provisional	2014-15 £000s provisional
Highways Capital Maintenance	4,729	2,804	2,919	2,877	2,768
Highways Integrated Transport	2,658	2,008	2,141	2,141	3,011
Maintenance – Named Bridges	243				
Total Transport	**7,630**	**4,812**	**5,060**	**5,018**	**5,779**

2.1.1 The total allocations represent a reduction of 37% on the revised 2010/2011 allocations (43% reduction on the original 2010/2011 allocations). The reduction is greater than for other Tyne and Wear authorities as in 2010/2011 Sunderland received an additional 'dampening' allocation to ensure that grant received was not less that 75% of the grant received in the previous year. This 'dampening' has ended in 2011/2012.

2.2 **Proposals for Highways Capital Programme New Starts 2011/2012**

2.2.1 Both the Highways Capital Maintenance and Integrated Transport funding blocks are calculated through a needs-based formula and in Metropolitan Areas will now be 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. At its meeting on 27th January 2011 the Tyne and Wear ITA ratified that the distribution of funds to the Tyne and Wear districts would be distributed by the same allocation methods used in previous years.

Whilst the LTP funding source is not ring fenced should the Council decide to use funding for non-transport capital schemes, then future years allocations from Tyne and Wear ITA may be at risk.

2.2.2 The proposed capital programme for future years, including ongoing commitments, will support the following priorities

To support economic development and regeneration by:-

- maintaining our highways including the completion works to Penshaw Bridge and undertaking works to Lambton Interchange Bridge (A195)
- managing congestion

To address climate change by:-

- promoting sustainable travel, including the introduction of a parking management scheme at the Royal Hospital
- providing low carbon vehicle infrastructure by completing the installation of electric vehicle charging points in public car parks

To support safe and sustainable communities by:-

- improving road safety, including the introduction of the initial 20 mph zone in residential streets
- improving access

Appendix 1

Capital Scheme	**£000s**
Ongoing commitments	2,859
Supporting Economic Development and Regeneration	167
Supporting Safe and Sustainable Communities	1,786
	4,812

Appendix 1

3.0 **Health, Housing and Adult Services Capital Proposals 2011/2012**

3.1 In 2010/2011 the Council received £0.429 million for Adult Services. Under new arrangements that consolidate various funding streams, capital grant funding from the Department of Health (DoH) has been maintained nationally at 2010/2011 levels and will rise in line with inflation. Councils will receive DoH capital grant on the basis of social care Relative Needs Formula, rather than the bidding process for various grants that has been used in the past. The allocation to Sunderland is £0.829 million in 2011/2012 and £0.845 million in 2012/2013 and should be used to support three key areas which comprise of personalisation, reform and efficiency.

3.2 Housing funding in previous years has been made available through the Single Housing Investment Plan (SHIP) provided by the Regional Housing Board. The Council received £1.687 million in 2010/2011 however notification has been received of the cessation of the regional pot for SHIP funding from 2011/2012. The Department for Communities and Local Government announced in the Spending Review that they will protect their element of Disabled Facilities Grant funding, while removing the ring fence. Further details of the grant award to Sunderland are awaited, although nationally the allocation has increased from £1.688 billion in 2010/2011 to £1.800 billion in 2011/2012.

3.3 **Proposals for Health, Housing and Adult Services Capital Programme New Starts 2011/2012**

The following projects are proposed for inclusion in the 2011/2012 capital programme:

3.3.1 **Housing**

Disabled Facilities Grant
It is proposed that Disabled Facilities Grants scheme is continued in 2011/2012 and funded through the a specific government grant of £1.097 million (indicative allocation), a Council contribution of £0.570 million, a Directorate revenue contribution of £0.301 million, a contribution from Registered Social Landlords of £0.130 million and DoH funding of £0.300 million (indicative allocation) amounting to a total new programme of £2.398 million.

Housing Renovation Loans Scheme
The Loans Scheme has in previous years been funded from SHIP resources. This funding stream has now ceased and in order to continue the scheme the regional partnership will be submitting a bid to the Regional Growth Scheme via 5 Lamps (the scheme administrators). Should the bid be successful the Council will need to make a financial contribution of £0.100 million per annum for 3 years.

3.3.2 **Adult Services**

Refurbishment Works
Annually the Directorate reviews all establishments including those occupied by clients and a schedule of refurbishment works totalling £0.312 million has been identified to ensure that they are maintained at an acceptable level. This includes a contribution towards the relocation of Sunderland Carers Centre to premises within Thompson Park and an existing commitment for works to the café at Herrington Park which once complete will become a social enterprise providing a place of employment for clients with learning disabilities.

IT Schemes
An allocation of £0.044 million is proposed to support various IT schedules of work that are required, following consultations, to ensure that current systems support the modernisation agenda.

Appendix 1

Extra Care

It is proposed £0.540 million is allocated towards extra care, allowing the council to contribute towards enabling the provision of housing solutions for older households in the city. It will enable the provision of more reablement opportunities, maximising referrals into appropriate self contained accommodation and supporting independent living for longer with the provision of care and support tailored to the needs of the individual.

Summary of Capital Proposals

	Department of Health **£'000**	**B/Fwd Directorate Resources £'000**	**TOTAL** **£'000**
Housing Renovation Loans Scheme	17	83	100
Refurbishment Works	312		312
IT Schemes		44	44
Extra Care	500	40	540
	829	**167**	**996**

Appendix 1

4.0 Other Services Capital New Start Proposals 2011/2012

The following new projects are proposed for inclusion in the 2011/2012 capital programme:

4.1 Economic Development Block Provision – £0.800 million

The proposal seeks to continue the policy of providing funding for a range of capital projects and job creation and retention initiatives that support economic development and regeneration objectives in the city in accordance with the Economic Masterplan. The fund provides a resource to deal with unforeseen demands on both the revenue and capital budgets, and covers both strategic investments in infrastructure and facilities for business and direct support to business growth and investment activities, particularly where new job creation will result.

4.2 City Centre 'Quick Wins' (including Fawcett Street Public realm) £1.000 million

It is proposed to continue the programme commenced in 2009 to demonstrate the Council's commitment to the City Centre and to support businesses during the economic downturn. Programme of support includes Street Scene Improvements; Festivals and Events; Marketing and Promotion; and business support measures.

Following the quick wins street scene project and market square public realm in the City Centre further works to Fawcett Street will deliver the next phase of investment in the city centre public realm.

4.3 Advanced Site Works £2.000 million (£1.000 million in 2011/2012 and in 2012/2013)

This is works to a key strategic site in the Economic Master Plan to support economic development and regeneration.

4.4 Spatial Retail Work £0.120 million

It is recommended that a contingency is established to procure specialist retail advice to assist the Council to consider planning developments to aid effective decision making.

4.5 World Heritage Site Public Realm £1.700 million (£0.250 million in 2011/2012 and 2012/2013, and £0.400 million, per annum in 2013/2014 to 2015/2016)

As part of the bid to secure World Heritage Status for St Peter's Church, this funding will deliver the landscape vision that supports the nomination document. The Council has made a commitment in the management plan to carry out public realm works on this site. Overall expenditure details are subject to review.

4.6 Network Upgrade £0.030 million

The last major upgrade of the corporate network was undertaken in 2005. The devices that were installed 5 years ago are coming to the end of their life and require replacing to ensure the corporate network continues to be protected for power failures.

4.7 Telephony Upgrade £0.077 million

The current digital telephone system (Avaya VOIP) was installed in 2006 and support for the system will be removed by the supplier in 2011. There is a requirement to upgrade the telephony system which will provide additional functionality and support smarter working. The total cost for the telephony system upgrade will be £0.200 million with £0.123 million available from existing budgets.

4.8 Strategic Acquisitions £4.000 million

The physical regeneration of the City is dependent upon the ability of the Council to intervene in the market and where necessary to assemble strategically important parcels of land that can contribute to the delivery of regeneration projects. It is proposed that a sum of £4.000 million is allocated to fund land acquisitions in accordance with the Council`s policy and with the aims and objectives of the Economic Masterplan. Proposals for acquisition will be brought forward in accordance with the requirements of the Council`s policy.

4.9 **Highways Maintenance £0.300 million**

It is proposed that funding is allocated to carry out work needed to address structural damage caused to highways following the severe winter conditions. The supplementary budget requested assumes no one-off funding will be available from central government.

4.10 **Capital Contingencies**

Resources have been provisionally allocated as a capital contingency 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 to support property rationalisation, smarter working and other process improvements that will help to deliver the efficiency savings required to further the business transformation agenda
- major IT infrastructure projects such as working with partners on a £40m Regional Growth Fund bid to deliver superfast broadband citywide
- other major regeneration and transport capital works within the City that will support the five Aims of the Sunderland Economic Masterplan

CAPITAL PROGRAMME

Summary of Programme
2010/11 to 2014/15

Expenditure by Portfolio	Gross Cost	Expend. to 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Deputy Leader	5,363	422	4,141	800			
Resources	21,022	6,644	3,755	10,623			
Children and Learning City	159,848	111,788	23,221	15,359	7,649	1,681	150
Prosperous City	41,127	9,003	7,428	19,463	5,233		
Healthy City	18,805	3,463	4,705	3,787	2,638	2,095	2,117
Safer City and Culture	2,611	910	368	1,333			
Attractive and Inclusive City	112,823	71,200	22,809	8,770	3,217	3,548	3,279
Sustainable Communities	14,190	4,913	3,017	6,260			
Responsive Local Services and Customer Care	8,000	3,213	854	2,883	250	400	400
Contingencies	24,000			6,950	10,450	6,600	0
TOTAL CAPITAL EXPENDITURE	**407,789**	**211,556**	**70,298**	**76,228**	**29,437**	**14,324**	**5,946**

Resources have been provisionally allocated as a capital contingency for a number of outline schemes which it is intended will be brought forward subject to the consideration of individual business cases. These schemes support the Council's key priorities in terms of regeneration plans and strategic priorities.

CAPITAL PROGRAMME

Source of Finance	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
From External Sources					
Loans					
- Supported Capital Expenditure (Revenue)	5,771	1,825	3,722		
- Unsupported Borrowing	4,667	27,494	11,700	7,000	400
Government Grants					
- Disabled Facilities	1,029	1,097	1,097	1,097	1,127
- Department for Education - Standards Fund	11,778	5,952	1,532	1,531	
- Department for Education - Capital Maintenance		2,915	1,064		
- Department for Education - Basic Needs		2,127	1,181		
- Department for Education - Building Schools for the Future	5,334	493			
- Department for Education - Other	198	300			
- Department for Communities and Local Government	1,229				
- Department for Culture Media and Sport	18				
- Department for Transport - Transport Grant	5,520	4,812	4,050	3,518	3,279
- Department for Transport - HAMP Grant	71				
- Department of Health	1,352	1,169	750		
- Sure Start	1,928				
- Social Services IT	443				
- Single Housing Investment Pot	2,204	679			
- Coast Protection	98	175	15	30	
- CABE Sea Change Fund	270	730			
Lottery Grants	1,388	657			
European Grants	17	5,237	1,377		
Grants from Other Public Bodies					
- One North East	4,547	2,917			
- Homes and Communities Agency	610	4,992			
- Primary Care Trust	711				
- Nexus	329				
- Waste Infrastructure Grant	257				
- Tyne & Wear Museums	216				
- School Governors Contribution	402	600			
- Football Foundation	247	755			
- Low Carbon Initiative	124				
Other External Funding	800	140	130	130	130
Total External Sources	51,558	65,066	26,618	13,306	4,936
From Internal Sources					
Revenue Contributions					
- General Fund	1,967	7,178	570	570	570
- Children's Services	424	168	150	150	150
- Health, Housing and Adults Services	291	417	91	298	290
- City Services	379	4			
- Strategic Initiatives Budget	285				
- Empire Maintenance	65				
Capital Receipts	1,182	1,379			
Reserves					
- Strategic Investment Reserve	3,688	(5,424)	(848)		
- Strategic Investment Plan	1,915	2,458			
- Unutilised RCCO Reserve	6,489	1,974			
- Working Neighbourhoods Reserve	1,383	2,118	2,856		
- Other Reserves	496	50			
- Section 106 Reserve	176				
- Port Reserve		840			
Total Internal Sources	18,740	11,162	2,819	1,018	1,010
TOTAL CAPITAL FINANCING	70,298	76,228	29,437	14,324	5,946

LEADER AND DEPUTY LEADER
CAPITAL PROGRAMME

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

The Leader / 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

During 2010/2011, Economic Development Support to local companies included a significant Job Creation Grant and a contribution to the development of an electricity sub-station.

KEY MEDIUM TERM PRIORITIES

- To meet the Aims of the Economic Masterplan (see above).
- Implementation of the Customer Service and Access Strategy action plan key principles .

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

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 will be achieved through improved procurement techniques and monitoring arrangements.

CAPITAL INVESTMENTS FOR THE YEAR

New Starts

- Provisions made for Economic Development will enable the Council to respond quickly and positively to economic issues that support job creation and job protection in Sunderland and deliver the aims of the Sunderland Economic Masterplan.

LEADER AND DEPUTY LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend. to 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	800	422	378				
Projects Commencing 2010/2011	3,763		3,763				
Projects Commencing 2011/2012	800			800			
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
TOTAL CAPITAL EXPENDITURE	**5,363**	**422**	**4,141**	**800**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Government Grants					
- One North East	1,000				
Total External Sources	**1,000**				
FROM INTERNAL SOURCES					
Reserves					
- Working Neighbourhood Fund	763				
- Unutilised RCCO Reserve	2,378	800			
Total Internal Sources	**3,141**	**800**			
TOTAL FINANCING	**4,141**	**800**			

Appendix 2

LEADER AND DEPUTY LEADER CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	CITY BUSINESS AND INVESTMENT TEAM								
MAN/120	Provision for Economic Development	J Snaith	800	422	378				
TOTAL CONTINUING PROJECTS			**800**	**422**	**378**				
	Projects Commencing 2010/2011								
	CITY BUSINESS AND INVESTMENT TEAM								
MAN130	Provision for Economic Development 2010/2011	J Snaith	763		763				
MAN132	Economic Development Support Provision	J Snaith	3,000		3,000				
TOTAL PROJECTS COMMENCING 2010/2011			**3,763**		**3,763**				
	Projects Commencing 2011/2012								
	CITY BUSINESS AND INVESTMENT TEAM								
MAN140	Provision for Economic Development 2011/2012	J Snaith	800			800			
TOTAL PROJECTS COMMENCING 2011/2012			**800**			**800**			
TOTAL CAPITAL PROGRAMME			**5,363**	**422**	**4,141**	**800**			

Appendix 2

LEADER AND DEPUTY LEADER
CAPITAL PROGRAMME

RESOURCES
CAPITAL PROGRAMME

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

The Resources capital programme will contribute towards 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

An important role for Resources in delivering these Aims is to ensure that Sunderland is at the forefront of securing the benefits offered by advances in Information Technology

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Improvements to the Voice and Data Network is substantially complete and is generating significant improvements to the network as well as significant revenue savings.
- The Digital Challenge programme is setting the vision for a digitally enabled Sunderland by delivering services where, when, and how they are needed and wanted. The programme is due to be completed by 31st March 2011.
- The Business Transformation Programme is supporting the council's efficiency programme by delivering savings within all aspects of Strategic and Shared services and improving effectiveness within the customer service network.
- The provision of a single ICT hardware platform has helped to support the Council's increased demands on the SAP ERP system.
- As part of continuing efforts to improve the trading position of the Port of Sunderland, a number of items of equipment have been purchased that will safeguard existing operational standards, reduce equipment hire costs and provide the necessary equipment to enable the Port to better respond to market opportunities and spot trade.

KEY MEDIUM TERM PRIORITIES

- A Business Improvement Plan for the Port has been completed and the Port Masterplan produced in draft form. Proposed investment included in the masterplan is currently being evaluated.
- ICT medium term priorities include assisting the Council to meet its Smarter City objectives.

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

- The investment in the voice and data network is producing significant revenue savings in terms of reduced line rentals.
- The investment in Business Warehousing will produce a seamless electronic purchasing process.
- The introduction of home working will increase utilisation of Council buildings, improve staff productivity and performance.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- 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, a homeworking pilot, and IEG4 Intelligent e-forms enabling efficiencies through customers being able to complete benefit applications on line.
- Port Workshops relocation will secure the future of a tenant in the Port and will further rationalise the Port estate, thereby providing additional land for potential new business development.
- Introduction of an electronic system for the production of Court papers will allow for a more efficient use of staff time in bundle preparation and in accessing archived cases and it will substantially reduce future storage requirements.
- ICT infrastructure schemes in relation to Fibre Network Provision, Thin Client and Server Provision will help to provide service efficiencies and the foundations on which to build a more strategic approach to technology and information deployment.

New Starts

- The upgrade of the power devices will protect the network from damage through power failures and power spikes.
- The upgrade of the current digital telephone system will provide additional functionality within to allow the corporate use of “softphone” software to support smarter working.
- In line with the current dredging regime at the Port of Sunderland, a full dredge of the operational areas of the river and quay areas will be undertaken in 2011/2012 in order to maintain depth levels at the Port.

Appendix 2

RESOURCES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend. to 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	10,218	6,644	3,007	567			
Projects Commencing 2009/2010	9,857		748	9,109			
Projects Commencing 2010/2011	947			947			
Projects Commencing 2011/2012							
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
TOTAL CAPITAL EXPENDITURE	**21,022**	**6,644**	**3,755**	**10,623**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Unsupported Borrowing	667	8,888			
Government Grants					
- Communities and Local Government	1,229				
- European Grants	17				
Total External Sources	**1,913**	**8,888**			
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	64	116			
- Directorate Resources- Children's Services	131				
- Directorate Resources - HHAS	105	105			
Reserves					
- Port Reserve	16	840			
- Strategic Investment Plan	108	268			
- Unutilised RCCO Reserve	1,270	396			
Capital Receipts	148	10			
Total Internal Sources	**1,842**	**1,735**			
TOTAL FINANCING	**3,755**	**10,623**			

RESOURCES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
	Continuing Projects								
	CITY CENTRE DEVELOPMENTS AND LAND AND PROPERTY								
DR91976	Relocation of Allotments Dyer Square Southwick	N Wood	150	138	12				
DR91912	Occupational Health Unit Relocation	C Clark	103	92	11				
	ICT								
CS91012	Improvements to Voice and Data Network	T Baker	1,840	1,705	135				
CS94017	Complaints and Freedom of Information Act	R Rayner	110	31	79				
CS94030	SAP Reporting-Business Warehousing	F Brown	308	306	2				
CS94054	Flexible Working Solutions	T Baker	100		100				
CS94045/037	Digital Challenge	T Baker	3,391	2,162	1,229				
CS96001/3	Business Transformation Projects	A Seekings	2,624	1,610	1,014				
CS91013	SAP Infrastructure	T Baker	100	38	62				
CS91015	Power Supply to Data Centre	T Baker	80	58	22				
CS91016	Revenue and Benefits system Phase 2	F Brown	444	24	108	312			
CS91017	Flexible Working System	S Stanhope	50			50			
CS94058	Cash Receipting	T Baker	200		200				
CS91017	SAP Archiving	T Baker	205			205			
	Port								
DR92009	Port Penstocks	C Clark	60	44	16				
DR91708	Port Regeneration Study	K Lowes	453	436	17				
TOTAL CONTINUING PROJECTS			**10,218**	**6,644**	**3,007**	**567**			
	Projects Commencing 2010/2011								
	ICT								
CS94056	Call Manager Replacement	T Baker	491		300	191			
CS94057	Automated Court Bundle	R Rayner	30			30			
	IT Infrastructure	T Baker	8,800			8,800			
	Port								
DR92010	Port Workshops Relocation	C Clark	288		200	88			
CS92011-15	Port Equipment	C Clark	248		248				
TOTAL PROJECTS COMMENCING 2010/2011			**9,857**		**748**	**9,109**			
	Projects Commencing 2011/2012								
	ICT								
	Network Upgrade	T Baker	30			30			
	Telephony Upgrade	T Baker	77			77			
	Port								
	Port Dredging	C Clark	840			840			
TOTAL PROJECTS COMMENCING 2011/2012			**947**			**947**			
TOTAL CAPITAL PROGRAMME			**21,022**	**6,644**	**3,755**	**10,623**			

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RESOURCES
CAPITAL PROGRAMME

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

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

The 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

And the Children and Young People's Plan priorities:

- Achieving their education
- Enjoy sport, leisure and play

The national outcome and indicators of which the most relevant to capital investment are:

- Achievement of at least 78 points across the Early Years Foundation Stage (EYFS) with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy.
- Percentage of schools providing access to extended services.
- Take up of 14-19 learning diplomas.
- Narrowing the gap between the lowest achieving 20% in the EYFS Profile and the rest.
- Delivery of Sure Start Children's Centres.
- The Children's Services AMP, which contains updated information about the condition, suitability and sufficiency of all school buildings. Education (DfE).
- The replacement of two primary schools under the Primary Strategy for Change.
- The ongoing review of 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 from Standards Fund. The LA provides support to schools in assisting them in planning this expenditure to achieve school and LA development priorities.
- Partnership working which is key to making right investment choices and to supporting the wider regeneration agenda in Sunderland.
- Providing young people leaving care with a residential resource.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Sunderland's Wave 1 BSF programme is now complete. The three 'Sunderland Model' Academies'; Academy 360, Castle View Enterprise Academy, and Red House Academy were opened in September 2009 as was Washington School. All of these schemes were delivered on time and within budget. The two remaining major refurbishment schemes at Biddick and St Robert of Newminster RC Secondary Schools were complete in 2010 in March and September respectively. All schemes were completed on time and to budget. Schools in the BSF and Academies programme will provide the platform for transforming secondary education and for creating state of the art ICT and vocational facilities.
- Several schools have benefited from the Children's Services Access Initiative Budget which has been used to improve facilities for disabled pupils accessing mainstream school provision.
- A total of 30 PVI and 38 maintained early years settings have benefited from transformed external play facilities under phase 2 of the provision of external play, equipment and some refurbishment to early years settings to improve EYFS learning environments.
- Wessington Primary School has benefited from capital investment to rationalise spare accommodation and to relocate and enhance the CAMHS facility based there.
- Capital works to reconfigure accommodation and provide children's centre outreach facilities at Seaburn Dene Primary School are due to be completed in 2011.

KEY MEDIUM TERM PRIORITIES

- To address the most urgent condition priorities, health and safety work and major capitalised repairs in the primary and nursery sector as identified from Children's Services AMP data.
- 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 fulfil the requirements of the council as Corporate Parents .

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

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 moves towards locality and integrated working have begun with some staff located at Bunnyhill and the remainder due to move there in January 2011. A rolling programme of moves to the other four localities will be completed in October 2011. The moves include adopting a more flexible and mobile working model. It is expected that these changes will generate efficiencies through reductions in accommodation requirements and the new ways of working will result in more efficient, cohesive and responsive services in the local communities.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- The replacement of St Joseph's Primary School, the initial priority school replacement identified in the Primary Strategy for Change consultations, begins in January 2011, with the school expected to be completed in March 2012 .
- The replacement of Maplewood School, the second priority school replacement identified in the Primary Strategy for Change consultations, begins in July 2011, with the school expected to be completed in August 2012.
- Work at six primary schools, using the Targeted Capital Fund for school kitchens, to support enhanced and improved kitchen and dining area facilities to increase school lunch take-up.
- The Coalition Government announced in July that BSF schemes that were not contractually committed would be stopped. Sunderland's Wave 2 scheme involving 9 secondary and 4 secondary special schools will therefore not be going ahead.

New Starts

2010/2011 schools capital allocations were announced by the Secretary of State for Education as part of the schools financial settlement on 13th December 2010. Basic Need funding provides school places where needed for maintained, academy and voluntary aided schools. Capital Maintenance funding is to address maintenance priorities in schools (the VA section has a separate allocation for this). In addition maintained schools will receive their share of £769,666 Devolved Formula Capital. The sum in the VA sector is £222,492. It should be noted that these sums are approximately 25% of DFC sums allocated in previous years. Basic Need / Capital Maintenance funds are not ring fenced and are likely to be viewed as a single funding source to address urgent maintenance priorities, including in the secondary schools that will now not benefit from BSF.

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend. to 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	139,585	111,788	20,119	6,504	1,174		
Projects Commencing 2010/2011	11,173		3,102	2,973	3,823	1,275	
Projects Commencing 2011/2012	8,640			5,882	2,502	256	
Projects Commencing 2012/2013	150				150		
Projects Commencing 2013/2014	150					150	
Projects Commencing 2014/2015	150						150
TOTAL CAPITAL EXPENDITURE	**159,848**	**111,788**	**23,221**	**15,359**	**7,649**	**1,681**	**150**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
FROM EXTERNAL SOURCES					
Loans					
- Supported Capital Expenditure (Revenue)	935	1,825	3,722		
- Unsupported Capital Expenditure		6,801			
Government Grants					
- Standards Fund	11,778	5,952	1,532	1,531	
- Capital Maintenance		2,915	1,064		
- Basic Need		2,127	1,181		
- Modernisation Fund	111				
- Building Schools for the Future	5,334	493			
- Sure Start	1,928				
- DCSF Grant	87				
- Other	442				
Governors Contribution	402	600			
Private Sector Contributions	343	10			
Total External Sources	21,360	20,723	7,499	1,531	
FROM INTERNAL SOURCES					
Revenue Contributions					
- Directorate Resources	293	168	150	150	150
Reserves					
- Strategic Investment Reserve (Temporary Use)	1,410	(5,532)			
- Capital Reserves	115				
Strategic Investment Plan	43				
Total Internal Sources	1,861	(5,364)	150	150	150
TOTAL FINANCING	**23,221**	**15,359**	**7,649**	**1,681**	**150**

Appendix 2

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

Appendix 2

CHILDREN AND LEARNING CITY CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	MAIN BLOCK								
	Continuing Projects								
EDC2007X	Electricity at Work	R Smith	681	581	100				
EDC5011S	Children's Centre Database	R Singh	151	1	150				
EDC5009P	Washington BSF	B Scanlon	19,157	19,150	7				
EDC5009P	Castle View Academy BSF	B Scanlon	15,994	15,954	40				
EDC5009P	Pennywell Academy BSF	B Scanlon	23,285	23,209	76				
ED96143	Usworth School Demolitions	B Scanlon	697	528	169				
EDC5009S	Asbestos Testing	J Walvin	128	98	30				
EDC5009S	School Closures - misc costs	J Walvin	122	107	15				
	Schools Devolved Capital 2008/2009	V Thompson	3,743	3,662	81				
EDC5009P	Hylton Red House - BSF	B Scanlon	12,440	12,355	85				
EDC5009P	Biddick School - BSF	B Scanlon	16,175	14,136	2,039				
EDC5009P	St Roberts - BSF	B Scanlon	15,832	10,756	5,076				
EDC5009P	ICT Infrastructure	B Scanlon	1,681	1,646	35				
EDC7010C	Aiming High	S Fletcher	441	337	104				
EDC7002P	Eco Schools in Sunderland	V Thompson	15	10	5				
	Schools Devolved Capital 2009/2010	V Thompson	5,100		3,570	1,275	255		
	School Travel Plans	V Thompson	143	76	67				
EDC8005P	Seaburn Dene Primary - surplus place removal	V Thompson	501	1	500				
EDC8005P	Wessington Primary - surplus place removal	V Thompson	522	16	506				
EDC7002P	Oxclose Primary - boiler	V Thompson	10	10					
ED99261	Early Years Foundation Stage	R Putz	1,897		1,897				
EDC7010P	Children's Centres Maintenance	R Singh	38	38					
	School Asset Management Programmes	B Scanlon	1,575			1,575			
ED96096	BSF - ICT Contract	B Scanlon	10,442	8,270	2,172				
EDC8003P	St Josephs RC Primary	V Thompson	6,000	231	1,250	3,600	919		
EDC8005S	Farringdon School - upgrade of all weather pitch	D Thornton	532		496	36			
EDC5011S	City Learning Centres 09/10	L Johnson	300	113	187				
EDC8002P	Window replacement schemes	V Thompson	603	3	600				
EDC4007P	Southwick (former) - demolition	V Thompson	100	37	63				
ED95196	Thorney Close Children's Centre	R Singh	36	3	33				
EDC7010P	Children's Centres Contingency	R Singh	3	3					
	BSF Wave 2 Project Resource Plan	B Scanlon	686	300	386				
	Capita One V4 Upgrade	T Skipper	185	106	61	18			
EDC7010P	Seaburn Dene Children's Centre	R Singh	5		5				
	Hendon Health Centre	R Singh	3		3				
EDC7002N	Pennywell EY's - Boiler	V Thompson	1		1				

CHILDREN AND LEARNING CITY CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. To 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
EDC7002P	New Penshaw Primary - Boiler	V Thompson	2		2				
EDC7002P	Valley Road Primary - Boiler	V Thompson	2		2				
	Children's Social Care								
EDC7010C	Children's Social Care Home - Avenue Vivian	M Boustead	47	30	17				
EDC7010C	Children's Social Care Home - 59 Cotswold Road	M Boustead	122	9	113				
EDC7010C	Children's Social Care Home - 18 Revelstoke Road	M Boustead	124	6	118				
EDC7010C	Children's Social Care Home - 7 Colombo Road	M Boustead	54	6	48				
EDC7010C	Children's Social Care Leased Homes	M Boustead	10		10				
TOTAL CONTINUING PROJECTS			**139,585**	**111,788**	**20,119**	**6,504**	**1,174**		
	Projects Commencing 2010/2011								
	Schools Devolved Capital	V Thompson	2,295				1,020	1,275	
EDC9005L	Maplewood School	V Thompson	5,800		547	2,450	2,803		
	Holley Park - TCF Kitchen & Dining	V Thompson	122		122				
	St Benet's - TCF Kitchen & Dining	V Thompson	160		160				
	St John Boste - TCF Kitchen & Dining	V Thompson	110		110				
	Barnes inf&Jun - TCF Kitchen & Dining	V Thompson	90		90				
	Springwell VP - TCF Kitchen & Dining	V Thompson	8		8				
EDC7012S	Youth Capital Fund	K Butchert	87		87				
EDC7010P	Children's Centre Maintenance	R Singh	94		94				
	BSF LA ICT Refresh Fund	B Scanlon	493			493			
	Biddick school - upgrade of all weather pitch	J Thompson	304		274	30			
	NDS Modernisation Schemes	V Thompson	100		100				
EDC7002P	Oxclose Village Primary Boiler Replacement	V Thompson	94		94				
EDC7002P	Gillas Lane Primary Boiler Replacement	V Thompson	63		63				
EDC7002P	Usworth Colliery Primary Boiler Replacement	V Thompson	61		61				
EDC7002P	Oxclose Nursery Boiler Replacement	V Thompson	21		21				
	Springwell Village Primary Auto Fire Detection	V Thompson	14		14				
	Hylton Castle Primary Auto Fire Detection	V Thompson	16		16				
	East Herrington Primary Auto Fire Detection	V Thompson	21		21				
	Hillview Infants Auto Fire Detection	V Thompson	7		7				
	Blackfell Primary Auto Fire Detection	V Thompson	33		33				
	Hastings Hill Primary Auto Fire Detection	V Thompson	22		22				
	Plains Farm Primary Auto Fire Detection	V Thompson	19		19				

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. To 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Thorney Close Primary Auto Fire Detection	V Thompson	12		12				
	Hylton Red House Primary Auto Fire Detection	V Thompson	28		28				
	Easington Lane Temporary Classroom	V Thompson	17		17				
	Springwell Village Primary Roofing Works	V Thompson	85		85				
	Hetton Lyons Primary – remove temp classroom	V Thompson	15		15				
	Wessington Primary Hall Floor	V Thompson	50		50				
	Holley Park Primary Drain	V Thompson	10		10				
EDC4003P	Access Schemes	V Thompson	50		50				
EDC4003P	Oxclose Village DDA Adaptations Access Scheme	V Thompson	18		18				
EDC4003P	Usworth Colliery Primary Access Scheme	V Thompson	5		5				
EDC4003P	Grangetown Primary Access Scheme	V Thompson	110		110				
EDC4003P	Ryhope Infants Hygiene Access Scheme	V Thompson	50		50				
EDC4003P	Ryhope Juniors Hygiene Access Scheme	V Thompson	25		25				
EDC4003P	Access Equipment	V Thompson	25		25				
EDC4003P	Hylton Castle Primary – Lighting	J Walvin	23		23				
EDC4003P	Fulwell Juniors – lighting	J Walvin	5		5				
	Barbara Priestman School – Specialist Status	C Barker	100		100				
	Houghton Kepier School – Specialist Status	S Hyland	25		25				
	Thorney Close Heating	V Thompson	200		200				
	Farringdon Secondary – Electric Mains Cable	V Thompson	33		33				
	Hetton Lyons Replacement	V Thompson	6		6				
	Burnside Primary – underground sump pump	V Thompson	12		12				
	Farringdon Secondary – Emergency Lighting	V Thompson	7		7				
	Bunnyhill Relocations	R Barker	35		35				
	Hylton Red House Academy Floodlighting	I Parkin	43		43				
EDC8010C	Software Licences	B Brown	150		150				
TOTAL PROJECTS COMMENCING 2010/2011			**11,173**		**3,102**	**2,973**	**3,823**	**1,275**	
	Projects Commencing 2011/2012								
	Schools Devolved Capital	V Thompson	770			257	257	256	
	Primary School Asset Management Programmes	V Thompson	1,433			1,433			
	School Asset Management Programmes	B Scanlon	6,287			4,042	2,245		
EDC8010C	Software Licences	B Brown	150			150			
TOTAL PROJECTS COMMENCING 2011/2012			**8,640**			**5,882**	**2,502**	**256**	

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. To 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2012/2013								
EDC8010C	Software Licences	B Brown	150				150		
TOTAL PROJECTS COMMENCING 2012/2013			**150**				**150**		
	Projects Commencing 2013/2014								
EDC8010C	Software Licences	B Brown	150					150	
TOTAL PROJECTS COMMENCING 2013/2014			**150**					**150**	
	Projects Commencing 2014/2015								
EDC8010C	Software Licences	B Brown	150						150
TOTAL PROJECTS COMMENCING 2014/2015			**150**						**150**
TOTAL CAPITAL PROGRAMME			**159,848**	**111,788**	**23,221**	**15,359**	**7,649**	**1,681**	**150**

Appendix 2

CHILDREN AND LEARNING CITY
CAPITAL PROGRAMME

PROSPEROUS CITY
CAPITAL PROGRAMME

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

The Prosperous City 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

- Hetton Downs – improvements to paving and car parking in Market Street.
- Sunniside Public Realm - high quality streetscape improvements, maintenance and refurbishment works to compliment the improvement of buildings in the same area.
- Seaburn Public Realm – improvements to upper and lower promenade including street furniture.

KEY MEDIUM TERM PRIORITIES

- Developing measures to increase the level of business activity and stimulate sustainable economic interest and investment in the city.
- Providing support and assistance to local and incoming businesses in order to develop employment opportunities and support business growth.
- Providing proactive and reactive support and assistance to secure direct investment and re-investments within the city to create and safeguard local jobs.
- Promoting physical and infrastructure improvements for business growth.

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

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

Ongoing Commitments

- Software City - Business, academia and the public sector have combined forces to create and deliver a vision for Sunderland as a leading 21st century software city. The aim is to provide world class telecommunications infrastructure and business premises.
- The Washington Managed Workspace scheme will develop high quality managed workspace in the Washington area to encourage the start-up of new, small and medium enterprises and support their early growth by providing a purpose-built business centre.
- A development provision has enabled rapid response to issues and opportunities in the city centre including physical infrastructure improvements.
- City Centre Footfall Cameras to measure visitor numbers.
- Market Square Public Realm improvements including new footpaths, lighting, and landscape works.
- The Seafront Regeneration Strategy will be completed in 2011/12 and will be utilised in the delivery of the Marine Walk Masterplan Phase 1 and 2.
- Phase 1 of the Marine Walk Masterplan will provide an interpretation trail, public realm improvements, and feature lighting, part funded from an award of £1 million Sea Change funding from CABE.

New Starts

- A provision has been made for land acquisitions where this will benefit the Council’s strategic objectives.
- Improvements to a key strategic City Centre site to support future development.
- Establishment of a contingency enable the Council to procure specialist retail advice to assist in consideration of retail developments.
- The development provision for the city centre has been extended to 2010/2011 to enable further rapid response to issues and opportunities that may arise in the city centre, including physical infrastructure improvements.

PROSPEROUS CITY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend. To 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	25,904	9,003	2,710	9,958	4,233		
Projects Commencing 2010/2011	8,103		4,718	3,385			
Projects Commencing 2011/2012	7,120			6,120	1,000		
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
TOTAL CAPITAL EXPENDITURE	**41,127**	**9,003**	**7,428**	**19,463**	**5,233**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Unsupported Borrowing	4,000	6,155	1,000		
Government Grants					
- Urban 2	3				
- CABE Sea Change Fund	270	730			
- One North East	2,075	1,703			
- ERDF		5,237	1,377		
Total External Sources	**6,348**	**13,825**	**2,377**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	467	2,340			
- Strategic Initiatives Budget	168				
- Directorate Resources	120				
Reserves					
- Working Neighbourhoods Fund	20	2,118	2,856		
- Strategic Investment Reserve	15	32			
- Strategic Investment Plan	205	815			
- Unutilised RCCO Reserve		320			
Capital Receipts	85	13			
Total Internal Sources	**1,080**	**5,638**	**2,856**		
TOTAL FINANCING	**7,428**	**19,463**	**5,233**		

PROSPEROUS CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	CITY CENTRE DEVELOPMENTS AND LAND AND PROPERTY								
DR91706	City Centre Developments	K Lowes	108	93	15				
DR91954	Ryhope Centre	K Lowes	523	491		32			
DR91613	Hetton Downs Environmental Improvements	K Lowes	139	136	3				
DR91763/4/5	Farringdon Row Phase 2	C Clark	2,277	2,277					
DR91716	Refurbishment 28 - 29 Sunniside & The Place	C Clark	4,122	4,115	7				
DR91811	Sunniside Public Realm	K Lowes	2,288	1,613	675				
DR91980	Seafront Regeneration Strategy	K Lowes	60	29	18	13			
CS94055	Washington Managed Workspace	J Snaith	5,000		20	1,247	3,733		
CS93010	Software City	J Snaith	9,742	31	1,400	7,811	500		
DR91812	Market Square	K Lowes	1,040	7	200	833			
DR91610	Footfall Cameras	L Hardy	55	11	22	22			
	CITY CENTRE DEVELOPMENTS								
DR91775	Street Scene Improvements	K Lowes	497	160	337				
DR91710	St Mary's Car Park - Ticket Machines	S Pickering	53	40	13				
TOTAL CONTINUING PROJECTS			**25,904**	**9,003**	**2,710**	**9,958**	**4,233**		
	Projects Commencing 2010/2011								
DR91981-3	Seafront - Marine Walk Masterplan Ph1	K Lowes	1,500		270	1,230			
CS97001	Seafront - Seaburn Public Realm Improvements	K Lowes	207		207				
CC90173	Seafront – Toilets	C Alexander	141		141				
CS93016	Strategic Land Acquisition Provision	C Clark	6,155		4,000	2,155			
DR91775	City Centre Improvements	G Farnworth	100		100				
TOTAL PROJECTS COMMENCING 2010/2011			**8,103**		**4,718**	**3,385**			
	Projects Commencing 2011/2012								
	City Centre Improvements	G Farnworth	1,000			1,000			
	Advance Site Works	C Clark	2,000			1,000	1,000		
	Spatial Retail Study	C Clark	120			120			
	Strategic Land Acquisition Provision	C Clark	4,000			4,000			
TOTAL PROJECTS COMMENCING 2011/2012			**7,120**			**6,120**	**1,000**		
TOTAL CAPITAL PROGRAMME			**41,127**	**9,003**	**7,428**	**19,463**	**5,233**		

Appendix 2

PROSPEROUS CITY
CAPITAL PROGRAMME

HEALTHY CITY
CAPITAL PROGRAMME

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

The Healthy City 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 through:

- 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. To support the decommissioning of the Council's own Small Group Homes by providing an improved choice and standard of accommodation for people with mental health and learning disabilities.
- More Core and Cluster facilities for people with disabilities.
- Developing the Housing Related Support Programme (formerly Supporting People Programme), which promotes housing related services, complimenting existing care 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 fulfil ambitions in the private rented sector by improving the living conditions and its management.
- Continue the delivery of Disabled Facilities Grants.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Through the Campus programme people have been supported to live in their own tenancies, having in many cases lived in long stay hospitals for a number of years.
- Modernisation of ICT systems (SWIFT, Electronic Social Care Record, etc.) allows easier transfer of information between staff and helps aggregate data accurately for management information leading to more efficient use of staff time.
- A re-settlement programme is ongoing in learning disabilities to provide services locally for people with intensive support needs. This will provide a better model of care for our clients and achieve annual revenue efficiency savings through the reduction in the number of people being placed into permanent residential care and reducing the cost of care packages for customers currently out of city.
- To further reduce fuel poverty the Sunderland Energy Efficiency Programme, (SEEP), was extended to include families with young children. There has been an increase in the number of homes receiving cavity wall and loft insulation and supported measures to around 1,960 households between 1 April 2010 and 1 November 2010. The Warm Front Programme, (up to 1 October 2010), assisted 346 households including installing 234 new boilers.
- The delivery of 15 loans and 10 grants for the purpose of bringing vulnerable peoples homes up to the decent homes standard.
- Disabled Facilities Grants forecasting completion of 660 adaptations in 2010/2011.

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 in line with the aims of the White Paper, "Our Health, Our Care, Our Say." This will include the use of technology such as Telecare to allow people to live in their own homes for much longer.
- To ensure that assets are updated and fit for purpose.
- To support rationalisation of council wide assets.
- 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 the Adult Services ICT systems to improve management information, deliver e-government, support delivery of personalisation and promote the integration agenda.

HEALTHY CITY
CAPITAL PROGRAMME

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

- The Directorate aims to reduce referrals 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.
- Adult Services is part of the Smarter Working initiative piloting new ways of working such as hot-desking, the use of portable technology, home working, etc. This pilot is ongoing with a view to the rationalisation of office accommodation.
- The Housing Financial Assistance Programme, Disabled Facilities Grant and Warm Homes Initiative will ensure that individuals stay safely in their own for as long as possible. This is not only what people want in terms of quality of their lives, but is generally a less expensive option than institutional care. For example, in 2003/2004, there were over 600 older people admitted to council-supported residential/nursing care, but this has declined to 372 in 2009/2010. The type of assistance to individuals has changed from grants to loans focussed support, which will help maximise available resources and allow the support to be provided to a greater number of individuals.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Home Improvement Agency (HIA) provides financial assistance via loans and grants to help make homes safe, secure and free from hazards for vulnerable homeowners living in the private sector.
- 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.
- Warm Homes Initiative to tackle fuel poverty, including the continuation of the hardship fund to assist people to live safely and in comfort in their own homes.

New Starts

- Provision is made for improvement to care and support facilities to ensure that assets are fit for purpose. The Adults Services Capital Board will establish its priorities for the use of these funds.
- Funding has been allocated towards extra care allowing the council to contribute towards enabling the provision of housing solutions for older households in the city.

Appendix 2

HEALTHY CITY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
MAIN BLOCK							
Continuing Projects	4,965	3,406	1,479	80			
Projects Commencing 2010/2011	3,813	57	3,226	530			
Projects Commencing 2011/2012	3,177			3,177			
Projects Commencing 2012/2013	2,638				2,638		
Projects Commencing 2013/2014	2,095					2,095	
Projects Commencing 2014/2015	2,117						2,117
TOTAL CAPITAL EXPENDITURE	18,805	3,463	4,705	3,787	2,638	2,095	2,117

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
FROM EXTERNAL SOURCES					
Loans					
- Supported Capital Expenditure (Revenue)	69				
Government Grants					
- IT Grants	443				
- Department of Health	611	1,129	750		
- SHIP Grant	1,636	174			
- Homes and Communities		325			
- Disabled Facilities Grant	1,029	1,097	1,097	1,097	1,127
- Other Contributions (TPCT)	161				
- Other Income		130	130	130	130
Total External Sources	3,949	2,855	1,977	1,227	1,257
FROM INTERNAL SOURCES					
- General Fund	570	570	570	570	570
Revenue Contributions					
- Directorate Resources	186	312	91	298	290
Reserves					
- Misc Reserves		50			
Total Internal Sources	756	932	661	868	860
TOTAL FINANCING	4,705	3,787	2,638	2,095	2,117

Appendix 2

HEALTHY CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
SS96013	Minor Works 2008/2009	P Foster	364	339	25				
SS95009	Mental Health 2008/2009	P Foster	217	148	69				
SS94020	Rosalie House	P Foster	523	508	15				
SS94019	LD Service Resettlement Scheme	P Corner	227	207	20				
SS94021	Campus Re-provision Programme	P Corner	1,258	1,103	155				
SS96013	Minor Works 2009/2010	P Foster	433	357	76				
SS95009	Mental Health 2009/2010	P Foster	136	50	86				
SS96029	Swift Enhancements	G King	809	587	222				
SS96030	Herrington Park café	P Foster	100	8	92				
SS96031	Managing Income	G King	53		53				
SS96032	Telecare	G King	100		100				
SS96033	Adults Information System	G King	50	8	42				
SS96034	Document Management System	G King	75	25	50				
SS97013	Private Sector Renewal Grants	A Caddick	300	2	218	80			
SS97020	Regional Loans Scheme	A Caddick	229	58	171				
SS97016	Warm Homes Initiative	A Caddick	91	6	85				
TOTAL CONTINUING PROJECTS			4,965	3,406	1,479	80			
	Projects Commencing 2010/2011								
SS96013	Minor Works	P Foster	236		146	90			
SS95009	Mental Health 2010/2011	P Foster	33		33				
SS96035	Mobile Portal	G King	200	57	143				
SS97008	Disabled Facilities Grants 2010/2011	A Caddick	2,689		2,339	350			
SS97013	Private Sector Renewal Grants	A Caddick	239		239				
SS97020	Regional Loans Scheme	A Caddick	142		142				
SS97038	Hardship Fund	A Caddick	31		31				
SS97016	Warm Homes Initiative	A Caddick	100		10	90			
SS94025	Fulwell Day Centre	P Foster	127		127				
SS96020	Office Accommodation	G King	16		16				
TOTAL PROJECTS COMMENCING 2010/2011			3,813	57	3,226	530			
	Projects Commencing 2011/2012								
SS96013	Improvements To Care and Support	P Foster	150			150			
SS97008	Disabled Facilities Grant 2011/2012	A Caddick	2,398			2,398			
SS97038	Hardship Fund	A Caddick	29			29			
	Extra Care Schemes	P Corner	500			500			
	Regional Loans Scheme	A Caddick	100			100			
TOTAL PROJECTS COMMENCING 2011/2012			3,177			3,177			

Appendix 2

HEALTHY CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2012/2013								
SS96013	Improvements To Care and Support	P Foster	150				150		
SS97008	Disabled Facilities Grants 2012/13	A Caddick	2,488				2,488		
TOTAL PROJECTS COMMENCING 2012/2013			2,638				2,638		
	Projects Commencing 2013/2014								
SS96013	Improvements To Care and Support	P Foster	185					185	
SS97008	Disabled Facilities Grants 2013/14	A Caddick	1,910					1,910	
TOTAL PROJECTS COMMENCING 2013/2014			2,095					2,095	
	Projects Commencing 2014/2015								
SS96013	Improvements To Care and Support	P Foster	185						185
SS97008	Disabled Facilities Grants 2014/15	A Caddick	1,932						1,932
TOTAL PROJECTS COMMENCING 2014/2015			2,117						2,117
TOTAL CAPITAL PROGRAMME			**18,805**	**3,463**	**4,705**	**3,787**	**2,638**	**2,095**	**2,117**

Appendix 2

HEALTHY CITY
CAPITAL PROGRAMME

SAFER CITY AND CULTURE
CAPITAL PROGRAMME

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

The Safer Cities 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

- Hendon Beach Safety Works Phase 2 - the works included the construction of additional pedestrian ramp and traffic calming measures on the promenade which compliments the Phase 1 works, allowing easier exit from the beach.
- Safer Stronger Communities Fund capital grant for 2010/11 was used to improve the security of ‘high priority’ industrial units, and to upgrade older CCTV cameras within the network.
- Restoration of Memorial Fountain in Roker Park.

KEY MEDIUM TERM PRIORITIES

- To work with all partners to reduce the incidence and perception of crime.

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

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

Ongoing Commitments

- Old Sunderland Townscape Heritage Initiative - The Council continues to offer financial assistance for environmental improvements in the old Sunderland area partly funded by the Heritage Lottery Fund
- Rapid development of CCTV across the City - Whilst the scheme is substantially complete, part of the budget has been reprofiled into 2011/2012 for sites in home locations where options are currently being considered.

SAFER CITY AND CULTURE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
MAIN BLOCK							
Continuing Projects	2,611	910	368	1,333			
Projects Commencing 2010/2011							
Projects Commencing 2011/2012							
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
TOTAL CAPITAL EXPENDITURE	**2,611**	**910**	**368**	**1,333**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
FROM EXTERNAL SOURCES					
Grants from Other Public Bodies					
- Heritage Lottery	50	657			
- Tyne and Wear Museums	216				
Total External Sources	**266**	**657**			
FROM INTERNAL SOURCES					
Revenue Contributions					
- Directorate Resources	9				
Reserves					
- Strategic Investment Plan	20	20			
Capital Receipts	73	656			
Total Internal Sources	**102**	**676**			
TOTAL FINANCING	**368**	**1,333**			

SAFER CITY AND CULTURE
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	CITY CENTRE DEVELOPMENTS AND LAND AND PROPERTY								
DR92335	Rapid deployment of CCTV across the City	C Clark	399	359	20	20			
DR91752	Old Sunderland Townscape Heritage Initiative	K Lowes	1,827	414	100	1,313			
DR91615	Hendon Beach Safety Works Ph2	K Lowes	169	137	32				
	CULTURE AND LEISURE								
CC90159	Monkwearmouth Station Museum Sidings	C Alexander	216		216				
TOTAL CONTINUING PROJECTS			**2,611**	**910**	**368**	**1,333**			
TOTAL CAPITAL PROGRAMME			**2,611**	**910**	**368**	**1,333**			

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

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

The Attractive and Inclusive City 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.
- Managing, reviewing and upgrading existing facilities that support the aims of the Council's Improvement Priorities.
- Researching and sourcing funding for the development of facilities and services in partnership with other service providers.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Design and implementation of Local Safety Schemes including Front Street Concord, Blackwood Rd/Washington Rd, Bede Bank Puffin crossing, Philadelphia Lane crossing.
- Contribution to junction improvement work on the A19 at the A690 and A1231 undertaken by the Highways Agency.
- Highway Maintenance schemes including A1231 Washington, Thorndale Road, Meadow Drive/West Grove, Offerton Grove, B1286 Fenton Tce, Cherry Blossom Way, Hallidon Road.
- Major Refurbishment of Barnes Park with funding from the Heritage Lottery Fund.
- Acquisition of two Nissan Leaf electric vehicles to replace conventional vans.
- Installation of electric vehicle charging points across the city.
- Improved recycling facilities. Provision of a further wheeled-bin to replace the black box.
- Installation of filtration equipment at Sunderland Crematorium to comply with mercury emission regulations.
- Road Safety Measures in Washington.

The expected outcomes from LTP 2 to 2010/2011 are as follows:

- Contribute towards meeting Tyne and Wear LTP targets which incorporate the Governments 2010 targets for casualty reduction.
- Targets are that by 2011 the service will achieve 40% reduction in all Killed or Seriously Injured (KSI); 20% reduction in all KSI from 2002-04 average to 2009-11 average; 50% reduction in child KSI from 2002-04 average to 2009-11 average; 25% reduction in child KSI from 2002-04 average to 2009-11.
- Reduced car usage and reduced adverse environmental impacts associated with traffic and encourage use of public transport, cycling and walking.
- Improved traffic flow and reduced congestion on the highway.
- Improved journey times and reduction in the number of 3rd party public liability claims.
- Supplement the regeneration of the City with improved highway and bridge infrastructure.

KEY MEDIUM TERM PRIORITIES

- Structural highway maintenance works on classified roads.
- Continue to support plans for the regeneration of the City Centre and River Corridor.
- Coast Protection Works subject to funding approval from the Environment Agency.
- Development of the Sunderland Strategic Transport Corridor (SSTC) which will contribute to reducing congestion, improving quality of the environment, economic success and reduce social exclusion.
- Development of leisure facilities at Stadium Village.
- Longer term requirements to meet recycling targets within the South Tyne and Wear Joint Waste Strategy, to provide a system that is more easily understood by customers and address efficiencies.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The capital provision for structural maintenance of highways of £1.9 million per annum for the 4 year period 2007/2008 to 2010/2011 along with the revenue maintenance budget (£3.5 million each year) has enabled the improvement in the condition of the highway network. The repudiation rate of claims made against the Council for personal injury accidents on the highway has increased to 87% in 2008/2009 (84% in 2007/2008). Public Liability Insurance premiums have reduced from £1.1million in 2006/2007 to an estimated sum of £0.4 million in 2010/2011, a saving of £0.7million.

- 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.
- The Play Pathfinder programme has reduced financial challenges relating to the long term upkeep of the play facilities.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Continue development of plans for the Sunderland Strategic Transport Corridor. A proposed new transport corridor from West Wear Street at the south side of the Wearmouth Bridge to the A19/A1231 including a new Wear Bridge crossing.
- Complete the demolition of Central Car Park whilst enabling the indoor market to remain open throughout the process.
- Acquisition of low carbon shuttle buses.
- Complete the structural maintenance of Penshaw Bridge.
- Refurbishment of 12 pavilions to encourage greater usage of sporting facilities across the city as well as ensuring that they are accessible to all sectors of the community in partnership with the Football Foundation.

New Starts

- 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.
- Additional capital maintenance to enable work needed to address structural damage caused to highways following the severe winter conditions.

Appendix 2

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
MAIN BLOCK							
Continuing Projects	91,534	71,200	16,691	3,643			
Projects Commencing 2010/2011	8,495		6,118	2,377			
Projects Commencing 2011/2012	2,750			2,750			
Projects Commencing 2012/2013	3,247				3,217	30	
Projects Commencing 2013/2014	3,518					3,518	
Projects Commencing 2014/2015	3,279						3,279
TOTAL CAPITAL EXPENDITURE	112,823	71,200	22,809	8,770	3,217	3,548	3,279

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
FROM EXTERNAL SOURCES					
Loans					
- Supported Capital Expenditure (Revenue)	4,729				
- Unsupported Capital Expenditure		300			
Government Grants					
- LTP Transport Grant	5,520	4,812	4,050	3,518	3,279
- Coast Protection	98	175	15	30	
- DCMS	18				
- One North East	1,059	1,214			
- Heritage Lottery Fund	1,330				
- Waste Infrastructure Capital Grant	257				
- HAMP Grant	71				
- CDENT	150				
Lottery	8				
Football Foundation		755			
NEXUS	329				
Other Contributions	233				
Total External Sources	13,802	7,256	4,065	3,548	3,279
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	866	810			
- Directorate Resources	250	4			
- Strategic Initiatives Budget	117				
Capital Receipts	826				
Reserves					
- Strategic Investment Reserve	2,093	(7)	(848)		
- Strategic Investment Plan	1,079	707			
- Section 106 Reserve	176				
- Working Neighbourhood Fund Reserve	600				
- Unutilised RCCO Reserve	2,685				
- Replacement Recycling Capital Reserve	315				
Total Internal Sources	9,007	1,514	(848)		
TOTAL FINANCING	22,809	8,770	3,217	3,548	3,279

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	TRANSPORT								
	Major Highway Schemes								
DR90001	Southern Radial Route	S Pickering	40,982	35,795	3,883	1,304			
DR90003	Central Route - Scheme Development & Land Costs	S Pickering	2,361	1,327	545	489			
DR90307	Queen Alexandra Bridge Major Maintenance	S Pickering	7,528	7,526	2				
DR90005	SSTC Ph2 (New Wear Bridge) Development Costs	S Pickering	9,670	4,913	3,898	859			
DR90006	SSTC Ph3 - Major Scheme Business Case	S Pickering	50	27	23				
	Local Transport Plan								
DR90312	A690 Four Lane Ends Bridge	S Pickering	504	312	192				
DR90316	A690 Lake Interchange Bridges	S Pickering	885	862	23				
DR90315	A1231 Grange Road Bridge	S Pickering	374	266	108				
DR90318	A1231/Pallion New Road/Trimdon St Bridge	S Pickering	28	8	20				
DR90317	The Bridges Shopping Centre - Bridge Access Roads	S Pickering	426	411	15				
DR99016	Highways Agency Junction Improvements schemes	S Pickering	3,125	1,864	1,086	175			
	Public Transport								
DR91085	- Bus Corridor Major Business Case	S Pickering	617	605	12				
	Strategic Investment Plan :								
DR90947	Washington Road Safety Measures	S Pickering	500	322	178				
CC96124-126									
	Street Scene								
DR91966	Private Streetworks	S Pickering	65	15	50				
DR91408	Ryhope Beach Access	S Pickering	325	116	209				
DR91771	Civil Parking Enforcement equipment	S Pickering	30		30				
DR91769	Central Car Park	S Pickering	2,730	420	1,500	810			
DR91977	Subway Improvement Review	S Pickering	91		90	1			
CC90160	Replacement Recycling Scheme	L Clark	2,700	394	2,306				
	SIB Initiatives								
DR90935	Castletown Masterplan Gating project	S Pickering	22	17	5				
	Coast Protection								
DR91409	Coastal Strategy Review Ph1	S Pickering	35	17	18				
DR91409	Coastal Strategy Review Ph2	S Pickering	50		45	5			
	Community Services								
CC90086/7	Hetton and Silksworth 25m Pools	M Poulter	10,274	10,086	188				

Appendix 2

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
CC90094	Leisure Ctr Income System	J Gray	165	162	3				
CC90095-100	Big Lottery Children's Play Programme	J Gray	841	826	15				
CC90112-141	Play Pathfinder	J Gray	3,755	3,472	283				
CC90158	Barnes Park	M Poulter	3,346	1,430	1,916				
CC90157	Washington Leisure Centre - Feasibility Study	J Gray	25	7	18				
CC90162	Belford House Playing Fields	J Gray	30		30				
TOTAL CONTINUING PROJECTS			91,534	71,200	16,691	3,643			
	Projects Commencing 2010/2011								
	TRANSPORT								
	Local Transport Plan								
DR90200	Highway Maintenance	S Pickering	1,900		1,900				
DR90300	Bridge Maintenance	S Pickering	201		182	19			
CC95601	Penshaw Bridge	S Pickering	677		61	616			
CC95602	A195 Lambton Interchange	S Pickering	258		226	32			
DR90500	Accessibility- Cycleways	S Pickering	150		150				
DR90450	Accessibility- Access for All	S Pickering	253		253				
DR90900	Congestion -	S Pickering	670		670				
DR90600	Road Safety	S Pickering	254		254				
	Miscellaneous								
DR91232	- Tyne and Wear Central Transport Team	S Pickering	357		357				
DR91231	- Tyne and Wear Freight Partnership	S Pickering	15		15				
DR91350	Climate Change - Electric Vehicle Charging Points	S Pickering	263		188	75			
DR91075	Public Transport Schemes	S Pickering	329		329				
DR91233	Tyne and Wear DASTS (Delivering a Sustainable Transport System) Study	S Pickering	142		142				
	Perceived Safety Schemes								
DR90631	Speed Management Strategy	S Pickering	50		50				
CC96400	Barnes Primary School traffic calming	S Pickering	65		65				
CC96401	Wensleydale Ave traffic calming	S Pickering	10		10				
CC96403	Blue House Lane		12		12				
DR90901	Pelican/Puffin/Toucan/Zebra Crossings commitments	S Pickering	110		110				
	SIB/SIP Schemes								
CC96111	Vehicle Activated Signs Seaburn	S Pickering	16		16				
CC96112	Vehicle Activated Signs Sunderland East	S Pickering	35		35				
CC95905	Mill Hill Road Puffin Crossing	S Pickering	20		20				
CC95908	Washington East Dropped Crossings	S Pickering	16		16				
CC95909	Houghton Dropped Crossings	S Pickering	8		8				
CC95910	Lake Road Footpath	S Pickering	10			10			
CC96402	Robin Lane/Hazard Lane	S Pickering	10		10				
CS96404	Newcastle Rd 30mph	S Pickering	7		7				
CS96405	Queensway Traffic Calming	S Pickering	3		3				

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.10 £'000	Estimated Payments 2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
CS96406	Fencehouses Gateway Feature	S Pickering	4		4				
CS96120	Bonehill Lane/Rookhope Roundabout	S Pickering	20		20				
CS96407	North Rd/Hazard Lane Pedestrian Refuge	S Pickering	29		29				
CS96408	Sunderland Rd/High Lane Speed Limit & Gateway	S Pickering	25		25				
CC96123	Vehicle Activated Signs Hetton Town Council	S Pickering	4			4			
CC96127	Monument Park	S Pickering	3			3			
CC96313	Tunstall Road Refuge	S Pickering	2			2			
CC96129	Vehicle Activated Signs Coalfield	S Pickering	11			11			
	Coast Protection								
CC96701	Deptford Culvert Safety Works	S Pickering	100			100			
CC96702	Hendon Burn Culvert Safety Works	S Pickering	80		10	70			
CC96703	Hydrographic Survey	S Pickering	25		25				
	Community Services								
CC90019	Community Sports Facilities	J Gray	1,455		20	1,435			
CC90177	Washington Leisure Centre - Essential Works	J Gray	146		146				
	Street Scene								
CC90037	Sunderland Crematorium	L Clark	750		750				
TOTAL PROJECTS COMMENCING 2010/2011			8,495		6,118	2,377			
	Projects Commencing 2011/2012								
	TRANSPORT								
	Local Transport Plan								
DR90200	Highway Maintenance	S Pickering	1,000			1,000			
DR90300	Bridge Maintenance	S Pickering	26			26			
DR90500	Economic Development and Regeneration	S Pickering	473			473			
DR90450	Climate Change	S Pickering	50			50			
DR90900	Safe and Sustainable Communities	S Pickering	901			901			
	Structural Highways Maintenance	S Pickering	300			300			
TOTAL PROJECTS COMMENCING 2011/2012			2,750			2,750			
	Projects Commencing 2012/2013								
	TRANSPORT								
	Local Transport Plan								
DR90200	Highway Maintenance	S Pickering	1,100				1,100		
DR90300	Bridge Maintenance	S Pickering	350				350		
DR90500	Economic Development and Regeneration	S Pickering	797				797		
DR90450	Climate Change	S Pickering	50				50		
DR90900	Safe and Sustainable Communities	S Pickering	905				905		
	COAST PROTECTION								
DR91407	Coastal Monitoring 2012 - 2016	S Pickering	45				15	30	
TOTAL PROJECTS COMMENCING 2012/2013			3,247				3,217	30	

Appendix 2

ATTRACTIVE AND INCLUSIVE CITY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2013/2014								
DR90020	Highway Maintenance	S Pickering	1,200					1,200	
DR90300	Bridge Maintenance	S Pickering	500					500	
DR90500	Economic Development and Regeneration	S Pickering	863					863	
DR90450	Climate Change	S Pickering	50					50	
DR90900	Safe and Sustainable Communities	S Pickering	905					905	
TOTAL PROJECTS COMMENCING 2013/2014			3,518					3,518	
	Projects Commencing 2014/2015								
DR90020	Highway Maintenance	S Pickering	1,200						1,200
DR90300	Bridge Maintenance	S Pickering	350						350
DR90500	Economic Development and Regeneration	S Pickering	774						774
DR90450	Climate Change	S Pickering	50						50
DR90900	Safe and Sustainable Communities	S Pickering	905						905
TOTAL PROJECTS COMMENCING 2014/2015			3,279						3,279
TOTAL CAPITAL PROGRAMME			**112,823**	**71,200**	**22,809**	**8,770**	**3,217**	**3,548**	**3,279**

SUSTAINABLE COMMUNITIES
CAPITAL PROGRAMME

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

The Sustainable City 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 through:

- Regeneration: By continually assessing and gathering up to date housing market and stock condition information to enable informed decisions for the selection of future Private Sector Renewal / Clearance Area schemes. Stock Condition Surveys are the main source of data used to identify private housing investment priorities. In 2007/2008, the council commissioned and completed its latest survey, the findings of which are being used to inform future housing renewal, regeneration and planning for the city in 2010/2011 and beyond.
- Delivering long term housing solutions as required by the Enabling Independence Strategy which includes the extra care programme within Sunderland. This will enable 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. To support the decommissioning of the Council's own Small Group Homes by providing an improved choice and standard of accommodation for people with mental health and learning disabilities.
- Delivering the overarching priorities as set in Sunderland's Housing Priorities Plan by attracting inward investment into the City as to support the delivery of sustainable economic growth, develop and deliver new homes and continue to improve the existing housing stock and by supporting the transition of selected neighbourhoods to 'Low Carbon City Villages'. Meeting the accommodation needs of all vulnerable and socially excluded people and by promoting sustainable living across the city by challenging existing attitudes, culture and behaviours will enable Sunderland to realise its vision.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Area Renewal programme has contributed towards a sustainable community and neighborhood through an increase in housing choice with the development of 79 new housing units in Phase 1 in Castletown to be completed by March 2011 decreasing the number of empty properties in the renewal areas by 42 and by reducing anti-social behavior.
- There have been 2 acquisitions of homes at Hetton Downs through SHIP and Homes and Communities Agency (HCA) funding plus 47 properties made more sustainable in Castletown through external improvements as part of a block improvement scheme.
- Bramble Hollow Extra Care Scheme in Hetton was opened in 2010, providing 48 two bedroom mixed tenure apartments with an on site care team providing care and support services within the scheme and outreach to residents within the local community.

KEY MEDIUM TERM PRIORITIES

- 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 vulnerable adults through the development of the Suitable Homes for Living Strategy, which will help to deliver a greater number and range of Extra Care housing, a form of sheltered housing, for older people in partnership with both the Local Housing Corporation and housing providers in the city, and with whom Housing colleagues have developed strong business links.
- 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. (Aim 4) (CIP 2, CIP 5 and CIP 6).
- Encourage more private landlords to become accredited and raise housing conditions and standards in the private sector.

HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL

The development of Joint Ventures 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.

SUSTAINABLE COMMUNITIES
CAPITAL PROGRAMME

- 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

- The Extra Care housing programme continues with the development of the extra care housing scheme Cherry Tree Gardens in Houghton le Spring. This will provide 40, two bedroom apartments and 7 two bedroom bungalows for older people and 24/7 care provision tailored to meet the needs of individuals.
- Area Renewal continues within Hetton Downs.
- A travellers transit site will assist in dealing with unauthorised encampments more efficiently and effectively. The provision will ensure that statutory regulations are met
- The Young Persons Immediate Access Project is being developed and will provide 18 units of supported accommodation for young people in Dundas Street.
- Receive delivery of two Nissan Leaf Electric Vehicles which replace conventional diesel vehicles. The council will be seen as a leader in this field by promoting electric vehicle usage and help to reduce carbon emissions, improve air quality in the city and benefit from savings in vehicle running costs.
- Wind Energy Programme – to install 3 wind turbines at The Venerable Bede C of E, Washington, and St.Robert of Newminster schools, contributing to both cost savings and carbon reduction targets
- Improving Energy Management of Buildings – scheme to achieve energy savings by replacing obsolete heating control systems in Council buildings.
- Complete upgrading of 6 Recycling Bring Sites including an 'Invest to Save' project at Beach Street Household Waste and Recycling Site comprising infrastructure works including new waste containers and access platforms.

SUSTAINABLE COMMUNITIES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend. To 31.3.10	Estimated Payments				
			2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	11,969	4,913	1,969	5,087			
Projects Commencing 2010/2011	2,221		1,048	1,173			
Projects Commencing 2011/2012							
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
TOTAL CAPITAL EXPENDITURE	**14,190**	**4,913**	**3,017**	**6,260**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Supported Borrowing	38				
Government Grants					
- SHIP	568	505			
- Department of Health	741	40			
- Homes and Communities Agency	610	4,667			
- Department for Education		300			
- PCT	550				
Total External Sources	**2,507**	**5,512**			
FROM INTERNAL SOURCES					
Reserves					
- Strategic Investment Plan	460	648			
- Salix Fund	50				
Capital Receipts		100			
Total Internal Sources	**510**	**748**			
TOTAL FINANCING	**3,017**	**6,260**			

Appendix 2

SUSTAINABLE COMMUNITIES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	HOUSING								
	Disabled Facilities								
	Market Rejuvenation								
SS97004	Eppleton, Castletown, Hendon 2009/2010	A Caddick	988	387	271	330			
SS97031	Hetton Downs	A Caddick	7,150	2,739	20	4,391			
	Decent Homes								
SS97035	Travellers Site	A Caddick	100			100			
SS97003	Homelessness & Advice Service - Set Up costs	A Caddick	251	213	38				
SS97025	Extra Care Housing : Moorhouse	A Caddick	565	283	282				
SS97026	Extra Care Housing : Racecourse	A Caddick	2,622	1,291	1,291	40			
	STREET SCENE								
CC90145	Recycling Bring Sites	L Clark	293		67	226			
TOTAL CONTINUING PROJECTS			**11,969**	**4,913**	**1,969**	**5,087**			
	Projects Commencing 2010/2011								
	HOUSING								
	Market Rejuvenation								
SS97004	- Area Renewal : Eppleton, Castletown, Hendon	A Caddick	472		297	175			
	Decent Homes								
	Centrepoint Sunderland	A Caddick	866		590	276			
	CITY CENTRE DEVELOPMENTS AND LAND AND PROPERTY								
DR91552	Wind Energy Programme	K.Lowes	685		38	647			
CC96601	Electric Vehicles	R.Donaldson	48		48				
DR91554	Improving Energy Management of Buildings	A.Atkinson	150		75	75			
TOTAL PROJECTS COMMENCING 2010/2011			**2,221**		**1,048**	**1,173**			
TOTAL CAPITAL PROGRAMME			**14,190**	**4,913**	**3,017**	**6,260**			

RESPONSIVE LOCAL 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 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:

- Promoting inclusion by challenging existing structures, policies and practice by encouraging the engagement of all communities - Customer Service Centre Network and Mobile CSC.
- Developing facilities that support the aims of the Council's Improvement Priorities.
- Researching and sourcing funding for the development of facilities and services in partnership with other service providers.

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.
- Efficiencies will be achieved through improved procurement techniques and monitoring arrangements.
- The delivery of integrated customer services supports VFM by increasing first point of contact resolution, leading to less signposting and increased efficiency.
- Multi-skilling staff and integrating multiple reception points into one will also ensure improved and more efficient services delivery.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Complete a programme of visitor improvements to support the Wearmouth-Jarrow bid for World Heritage Site status in 2011.
- Relocation of the City Centre Customer Service to Fawcett Street and rationalise facilities for visitors at the Civic Centre.
- A contribution towards works at Houghton Primary Care Centre to provide a physical link with Houghton Sports Centre and a new Wellness Centre, café and support facilities.

New Starts

- Public realm works on the World Heritage Status site for St Peter's Church to deliver the landscape vision that supports the nomination document.

RESPONSIVE LOCAL SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend. To 31.3.10 £'000	Estimated Payments				
			2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
MAIN BLOCK							
Continuing Projects	3,967	3,213	754				
Projects Commencing 2010/2011	2,733		100	2,633			
Projects Commencing 2011/2012	1,300			250	250	400	400
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
TOTAL CAPITAL EXPENDITURE	**8,000**	**3,213**	**854**	**2,883**	**250**	**400**	**400**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
FROM EXTERNAL SOURCES					
Unsupported Borrowing		457	250	400	400
Grants from Other Public Bodies					
- One NorthEast - Single Programme	413				
Total External Sources	**413**	**457**	**250**	**400**	**400**
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund		1,342			
- Empire Maintenance Fund	65				
Reserves					
- Strategic Investment Reserve	170	83			
- Strategic Investment Plan		41			
- Unutilised RCCO Reserve	156	360			
Capital Receipts	50	600			
Total Internal Sources	**441**	**2,426**			
TOTAL FINANCING	**854**	**2,883**	**250**	**400**	**400**

RESPONSIVE LOCAL SERVICES AND CUSTOMER CARE CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.10	Estimated Payments				
					2010/11	2011/12	2012/13	2013/14	2014/15
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Strategic Change Management - People First								
CC90170	IT for Customer Service Centres	M Poulter	75	35	40				
CS95501	Washington - Customer Service Centre	M Poulter	1,843	1,818	25				
CC90169	Hendon Customer Service Centre	M Poulter	11	9	2				
CC90168	Southwick Customer Service Centre	M Poulter	20	17	3				
	Culture and Tourism								
CC90091	Empire Fly Tower	C Alexander	113	44	69				
CC90103	Herrington Country Park	C Alexander	1,000	937	63				
CC90108	Environmental Improvements - Public Art	C Alexander	278	245	33				
CC90109	Cultural Quarter	C Alexander	43	37	6				
CC90161	World Heritage Site- Wearmouth Jarrow action plan	C Alexander	100	24	76				
CC90161	World Heritage Site- Wearmouth Jarrow	C Alexander	484	47	437				
TOTAL CONTINUING PROJECTS			**3,967**	**3,213**	**754**				
	Projects Commencing 2010/2011								
	Strategic Change Management - People First								
CC90175	City Centre - Customer Service Centre	L St Louis	333		100	233			
CC90174	Houghton Primary Care Centre	M Poulter	2,400			2,400			
TOTAL PROJECTS COMMENCING 2010/2011			**2,733**		**100**	**2,633**			
	Projects Commencing 2011/2012								
	World Heritage Site Public Realm - Wearmouth Jarrow	C Alexander	1,300			250	250	400	400
TOTAL PROJECTS COMMENCING 2011/2012			**1,300**			**250**	**250**	**400**	**400**
TOTAL CAPITAL PROGRAMME			**8,000**	**3,213**	**854**	**2,883**	**250**	**400**	**400**

Appendix 3

Prudential and Treasury Indicators 2011/2012 to 2013/2014

It should be noted that all of the prudential indicators 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 2009/2010 was £99.921 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Estimated Capital Expenditure	70.298	76.228	29.437	14.324

An estimate has been made of future spend on the basis of indicative grants approved for 2011/2012 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 2009/2010 are:

Ratio of financing costs to net revenue stream

2009/2010 Actual	2010/2011 Estimate	2011/2012 Estimate	2012/2013 Estimate	2013/2014 Estimate
5.74%	6.01%	7.86%	9.42%	9.70%

The estimates of financing costs include current commitments and the proposals in the revenue budget and capital programme reports. The forecasts 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 Formula Grant allocations and additional prudential borrowing proposed in the capital programme.

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 and due to forecasted low levels of interest rates as a result of the economic downturn, the end of which is uncertain. It should be noted that the ratios will vary depending on the interest rate obtained on investments and the level of investments available. If there is, for example, slippage in the use of prudential borrowing to fund the capital programme then the ratios shown in the table above will decrease, whilst any reduction in the interest

rate obtained on investments, beyond that estimated, will lead to an increase in the reported ratios.

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 2010 are:

Capital Financing Requirement

31/03/10 £000 Actual	31/03/11 £000 Estimate	31/03/12 £000 Estimate	31/03/13 £000 Estimate	31/03/14 £000 Estimate
238,563	241,771	266,660	273,981	277,283

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 funding proposals in the capital programme reports.

P4 CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence:

> "In order to ensure that over the medium term net borrowing will only be used for a capital purpose, the local authority should ensure that net external borrowing 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 2009/2010, 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 2011/2012.

The Council's net borrowing at 31st March 2010 was £12.591 million and as noted in Prudential Indicator P7 the Council's actual external borrowing was £178.273 million. This variation between actual and net borrowing reflects the cash flow position of the authority and balances held in earmarked reserves. The gap will reduce over time as earmarked reserves are used to fund specific projects as planned.

The benefits of having a high level of investments are that:

- a larger amount of interest will be received that can then be used to help support Council budgets and help deliver strategic plans;
- the Council has greater freedom in making its borrowing decisions and can take out borrowing when the timing is right rather than being potentially subject to market volatility; and,
- the liquidity risk is reduced as having a high level of investments means that in the short term the Council is less at risk should money market funds dry up.

The risks associated with holding a high level of investments are:

- from a reduced level of interest earned to that budgeted for should interest rates reduce; and,
- the risk of counterparties not repaying money the Council invests with them.

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.

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			
	2010/2011	**2011/2012**	**2012/2013**	**2013/2014**
	£000	**£000**	**£000**	**£000**
Borrowing	323,990	331,539	340,096	347,623
Other long term liabilities	91,558	50,860	48,710	46,515
Total	**415,548**	**382,399**	**388,806**	**394,138**

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 2011/2012, the Council is asked to note that the authorised limit determined for 2011/2012, (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 and Council 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			
	2010/11 £000	**2011/12 £000**	**2012/13 £000**	**2013/14 £000**
Borrowing	235,743	261,603	276,335	291,258
Other long term liabilities	91,558	50,860	48,710	46,515
Total	**327,301**	**312,463**	**325,045**	**337,773**

P7 The Council's actual external debt at 31st March 2010 was £178.273 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	
2011/2012	**2012/2013**	**2012/2013**
£5.24	£24.87	£39.45

The estimates show the net revenue effect of all capital expenditure from all schemes commencing in 2011/2012 and the following two financial years. The impact on the Band D Council Tax detailed above takes account of estimated government grant funding through General Grants.

These forward estimates are not fixed and do not commit the Council. They are based on the Council's 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 £39.53 in 2013/2014. 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. This original 2001 Code was adopted on 20th November 2002 by full Council and the revised Code was adopted on 3rd March 2010.

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 2011/2012 to 2013/2014

P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £105 million in 2011/2012, £125 million in 2012/2013 and £145 million in 2013/2014.

P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £60 million in 2011/2012, £60 million in 2012/2013 and £50 million in 2013/2014.

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 £100 million is set for each financial year (2011/2012, 2012/2013 and 2013/2014) 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. The type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 6).

Appendix 3

At present the Council has £0.836 million of long-term investments. This is £0.816 million for the value of share capital held in NIAL Holdings PLC. This equates to a 9.41% 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 2011/2012

The Department for Communities and Local Government (DCLG) has provided statutory guidance on the methodology to use, which local authorities 'must have regard to'. 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.

6.1 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 Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant. The major proportion of the MRP for 2011/12 will relate to the supported historic debt liability.

6.2 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.

6.4 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.

6.5 For 2011/2012, 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.

6.6 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.

6.7 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 up to a maximum of 7 years (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 for capital purposes that have been given in earlier years and any new grants given for which borrowing is taken out, MRP is based on the actual principal repayment schedule relating to the grant provided. This option is used for existing loans provided to Wearside College, mortgages provided in earlier years to householders under Right to Buy regulations, and loans to industry to support economic regeneration:

In the all other cases where unsupported borrowing is used to finance capital schemes then the option 3 asset life method of determining MRP is used.

6.8 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.

6.9 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 so that an additional voluntary MRP repayment will be made using the criteria detailed in 6.7 above.

6.10 In addition, revised accountancy guidelines to comply with IFRS have been introduced for the financial year 2010/2011. The new standards have the effect of reclassifying operational leases, finance leases and PFI contracts and require these assets to be brought onto the Council's balance sheet. It is recommended that the MRP policy for 2011/2012 ensures 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.

6.11 In summary, it is recommended that the Council approves the following Annual Minimum Revenue Provision Statement 2011/2012:

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 previously held off-balance sheet but now included on-balance sheet to comply with IFRS requirements, 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 make additional voluntary MRP payments to that indicated by the adoption of Option 3, with reference to the Council's framework detailed in 6.7 above where this is considered to be both prudent and affordable. This requirement 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.

- 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 needs to re-affirm its commitment to the above Treasury Management Policy Statement each year.

Treasury Management Strategy Statement for 2011/2012

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 2011/2012 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 2011/2012 to 2013/2014
- the past and current treasury management position
- the borrowing requirement 2011/2012
- prudential and treasury management Indicators for 2011/12 to 2013/14
- 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 2011/12 to 2013/14

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 the 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 The Past and Current Treasury Management Position

2.2.1 Interest Rates 2010/2011

Interest rates were fairly static with only small variations during the current financial year, until the government, on 20th October 2010, following the Chancellor’s announcement of the Spending Review, instructed the PWLB to increase the average interest rate on all new loans by an average of 1.00% above the Government’s cost of borrowing. This unexpected change at the time saw an overall increase in all PWLB rates going forward of 0.87% making borrowing from this source both less affordable and less attractive. The table below shows that the largest movement in rates was short term borrowing up to one year of 0.82% and by approximately 0.5% on all other maturity periods. Rates increased because of the government’s actions but there has been a slow fall in interest rates since. This trend is starting to reverse but no significant movements are anticipated for the next financial year. This position will be carefully monitored however.

Loan Type	31st March 2010 %	31st December 2010 %	Difference %
7 Day Notice	0.30	0.40	0.10
1 Month	0.42	0.45	0.03
PWLB – 1 Year	0.83	1.65	0.82
5 Year	2.89	3.33	0.44
10 Years	4.19	4.58	0.39
25 Years	4.67	5.23	0.56
50 Years	4.70	5.16	0.46

The Bank of England Base Rate has remained at 0.50% since 5th March 2009 with little sign that it will be raised in the short term.

2.2.2 **Long Term Borrowing 2010/2011**

The Treasury Management Policy and Strategy Statement for 2010/2011 included a benchmark rate of 4.5% for all long-term borrowing.

The Council's strategy for 2010/2011 is to adopt a pragmatic approach and to respond to any changing circumstances to seek to secure benefit for the Council. In response to the Government's increase in PWLB rates across all PWLB loan periods, the Council's benchmark rate for long-term borrowing was increased to 5.5% for the remainder of 2010/2011.

So far in 2010/2011 £30.50 million of long term borrowing has been undertaken at an average rate of 3.31% (£26.5m in respect of debt rescheduling carried out in earlier years, £3.5m for approved prudential borrowing and £0.5m in respect of a specific loan taken out on behalf of Beamish Museum), details of the new loans are shown below. It is pleasing to report that the replacement borrowing was made before the government unexpectedly and immediately increased borrowing rates by on average 1% across all loan duration periods on 20th October 2010, the date of the Spending Review.

Long Term PWLB Borrowing 2010/2011						
Date	**Amount £m**	**Period (Years)**	**Rate %**	**Benchmark Rate %**	**Margin %**	**Loan Type**
11/05/10	0.50	15	3.65	4.50	0.85	EIP*
25/05/10	10.00	4	1.99	4.50	2.51	Maturity
25/05/10	5.00	50	4.29	4.50	0.21	Maturity
27/07/10	5.00	11	3.75	4.50	1.25	Maturity
27/07/10	5.00	12	3.87	4.50	1.13	Maturity
01/09/10	5.00	50	3.96	4.50	0.54	Maturity
	30.50		**3.31**			
* This loan was taken on behalf of Beamish Museum and is an Equal Instalment of Principal (EIP) loan						

The Council also has nine market, Lender's Option / Borrower's Option (LOBO's), 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. If interest rates begin to rise the council will need to consider the potential to have to replace these loans. The following table shows the LOBO's that were subject to a potential rollover in this financial year but have not been replaced as the option was not exercised.

Roll Over Dates	Lender	Amount £m	Rate %	Roll Over Periods
23/04/2010 and 23/10/2010	Barclays	5.0	4.50	Every 6 months (Variable Rate)
14/08/2010	Barclays	5.0	4.45	Every 3 years (Fixed Rate)
Total		**10.0**		

2.2.3 **Current Portfolio Position**

The Council's treasury portfolio position at 31st December 2010 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	138.0		
	Market (LOBO's)	34.5		
	Other	0.4	172.9	3.86
Variable Rate Funding	PWLB	0.0		
	Market (LOBO's)	5.0		
	Temporary/ Other	31.1	36.1	0.92
Total Borrowing			**209.0**	**3.35**
Total Investments	In House		**214.1**	**1.49**
Net Position			**(5.1)**	

The Council currently has a difference between gross debt and net debt of £5.1 million, however this position is expected to change over the next few years as the Council has to manage its finances with significantly less government grant in both capital and revenue funding which could impact in the form of increased borrowing and possible temporary reductions to reserves, with the result that total borrowing could then exceed investments.

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 formulating its Treasury Management Policy that incorporates both a Borrowing Strategy and an Annual Investment Strategy and has also taken prudent action to redeem debt early by temporarily using investments to the benefit of the Council and saving on interest charges when opportunities have arisen.

2.3 **Borrowing Requirement 2011/2012**

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

		2011/12 £m	**2012/13 £m**	**2013/14 £m**
1.	Capital Borrowing (potential)	47.7	15.0	15.0
2.	Replacement borrowing (PWLB)	0.0	5.0	5.0
3.	Replacement borrowing (Market)	0.0	0.0	0.0
4.	Market LOBO replacement (potential)	19.5	20.0	10.0
TOTAL – KNOWN (2+3)		**0.0**	**5.0**	**5.0**
TOTAL – POTENTIAL (1+4)		**67.2**	**35.0**	**25.0**

2.4 **Prudential and Treasury Management Indicators for 2011/12 – 2013/14**

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 Council also 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 year ends (March).

- 2010/2011 0.50%
- 2011/2012 1.00%
- 2012/2013 2.25%
- 2013/2014 3.25%

There is a downside risk to these forecasts especially if recovery from the recession proves to be weaker and slower than currently expected and a short term upside risk should inflation pressures increase. A detailed view of the current economic background is contained within Annex B to this report.

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: -

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Mar-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	2.25%	3.25%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	4.30%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	5.10%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%

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.

The Council officers, in conjunction with the Council's treasury advisers, will 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 5.50% for any further long-term borrowing for 2010/2011 to be appropriate.

Consideration will be given to various options, including utilising some investment balances to fund the borrowing requirement in 2011/2012. 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.

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 considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

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

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been fully considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits of alternative forms of funding;
- consider alternative interest forecasts available and the most appropriate periods and repayment profiles to use;
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

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 2011/2012 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 size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

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 policy will be continued.

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

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 (DCLG) Guidance on Local Government Investments ("the Guidance") and the 2009 revised 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.

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. The Council will not invest in any type of investment that will be classed as capital expenditure (see 3.4 below).

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

3.4 Investments Defined as Capital Expenditure

The acquisition of share capital or loan 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. The latter will be governed by the framework set by the Council for ‘specified’ and ‘non-specified’ investments.

The Council will not use (or allow any external fund managers it may appoint to use) any investment which will be deemed as capital expenditure.

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 £100 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, 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.

3.9 **Past Performance and Current Position**

During 2010/2011 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:

	2009/10 Return %	**2009/10 Benchmark %**	**2010/11 Return % Year to date**	**2010/11 Benchmark % Year to date**
Council	1.91	0.36	1.49	0.34

During 2010/2011 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2011/2012 are likely to range between £150 million and £300 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 2011/2012, 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 2011/2012, (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 to be given to 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.

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

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%. Again, 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 remains 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 full Council now receive, 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 adopted the following reporting arrangements in accordance with the requirements of the Code: -

Area of Responsibility	**Council/ Committee/ Officer**	**Frequency**
Treasury Management Policy Statement (revised)	Full Council	Adoption of the new code for 2010/2011 and then as required
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

Area of Responsibility	Council/ Committee/ Officer	Frequency
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 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.

5.2 **Balanced Budget Requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects,

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

Increased debt charges that are forecast to arise from the Council's Capital Programme meet the above balanced budget requirement.

Appendix 6

ANNEX A

Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts from 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.

1. Individual Forecasts

Sector:

Interest rate forecast – 6.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%	3.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%	3.40%	3.65%	4.00%	4.20%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%

Capital Economics:

Interest rate forecast – 12.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

ANNEX A

UBS:
Interest rate forecast (for quarter ends) – 6.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. Survey of Economic Forecasts

HM Treasury January 2011
The current Q4 2010 and 2011 forecasts are based on the January 2011 report. Forecasts for 2010 – 2014 are based on 32 forecasts in the last quarterly forecast – in November 2010.

BANK RATE FORECASTS		quarter ended		annual average Bank Rate			
	actual	Q4 2011		ave. 2011	ave. 2012	ave. 2013	ave. 2014
Median	0.50%	1.00%		0.90%	1.60%	2.40%	3.00%
Highest	0.50%	1.60%		2.10%	3.10%	3.60%	4.50%
Lowest	0.50%	0.50%		0.50%	0.50%	0.60%	1.20%

ANNEX B

Economic Background

1.1 Global economy

The economic downturn that began following the global credit crunch of August 2007 has continued into 2011. The sovereign debt crisis peaked in May 2010 prompted by major concerns over the size of the Greek government's total debt and annual deficit. Any default or write down of Greek debt would have a substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May. A second crisis, this time over Ireland in November 2010, culminated in Ireland also having to take EU support. There is a concern that Portugal will also shortly need to take EU support. That, in turn, would then cause further major concerns as to whether the current size of the support package facility put together by the EU and IMF would be big enough to cope with any crisis involving another major economy.

The unexpectedly high rate of growth in quarters 2 and 3 of 2010 in the UK and the Euro zone in Q2 were driven by strong growth in the construction sector catching up from inclement weather earlier in the year and by other short term factors. General expectations are for low (but not negative) growth in 2011 in the western economies.

1.2 UK economy

Following the general election in May 2010, the coalition government has put in place austerity measures to carry out a 'correction' of the public sector deficit over the next five years. The result of fiscal contraction will be major job losses during this period, in particular, in public sector services. This will have a knock-on effect on consumer and business confidence and appears to have also hit the housing market as house prices started on a negative trend during the summer and autumn of 2010. Mortgage approvals are also at very weak levels and are declining, all of which indicates that the housing market is likely to be very weak in 2011.

Economic Growth – GDP growth is likely to have peaked in the current period of recovery at 1.2% in quarter 2 of 2010. Growth in quarter 3 at +0.7% was also unexpectedly high. However, the outlook is for low growth in 2011/2012 although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%) i.e. above what most forecasters are currently expecting.

Unemployment – the trend of falling unemployment (on the benefit claimant count) has been replaced since July 2010 with small increases which are likely to be the start of a new trend for some years ahead of rising unemployment.

Inflation and Bank Rate – CPI has remained high during 2010. It peaked at 3.7% in April gradually declined to 3.1% in September but has now returned to the level of 3.7% in December (RPI 4.7%). Although inflation has remained above the MPC's 2% target, the MPC is confident that inflation will fall back under the target over the next two years.

ANNEX B

The Bank of England finished its programme of quantitative easing (QE) with a total of £200bn in November 2009. However, expectations that there could be a second round of quantitative easing in early 2011, to help support economic growth, have evaporated after the surprises of the Q3 GDP figure of +0.7% and the outcome of the November Inflation Report revising the forecast for short-term inflation sharply upwards.

Sector's view is that there is unlikely to be any increase in the Bank Base Rate until the end of 2011.

AAA rating – prior to the general election, credit rating agencies had issued repeated warnings that unless there was a major fiscal contraction, then the AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's Emergency Budget on 22nd June 2010, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In addition, international investors now view UK government gilts as being a safe haven from EU government debt. The consequent increase in demand for gilts helped to add downward pressure on gilt yields and PWLB rates.

1.3 Economic Forecast

It is currently difficult to have confidence as to exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market. Sector Treasury Services has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the speed of economic recovery in our major trading partners - the US and EU
- the danger of a currency war and a resort to protectionism and tariff barriers if China does not address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential for more quantitative easing, and the timing of this in both the UK and US, and its subsequent reversal
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy

The overall balance of risks is weighted to the downside and there is some risk of a double dip recession, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk. 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.

Appendix 6

Lending List Criteria **ANNEXC**

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	50	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	364 Days
Money Market Funds Maximum amount to be invested in Money Market Funds is £50 million with a maximum of £30 million in any one fund.					50	2 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.

Where any banks / building societies are 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:

Appendix 6

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 £300 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	300
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	300
Local Government	300
UK Banks	300
UK Building Societies	150
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	F1+			Aaa			AAA		300	364 days
Lloyds Banking Group (see Note 1)										**Group Limit 50**	
Lloyds Banking Group plc	AA-	F1+	C	1	Aa3	-	-	A	A-1	50	364 days
Lloyds TSB Bank Plc	AA-	F1+	C	1	Aa3	P-1	C-	A+	A-1	50	364 days
Bank of Scotland Plc	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1	50	364 days
Royal Bank of Scotland Group (See Note 1)										**Group Limit 50**	
Royal Bank of Scotland Group plc	AA-	F1+	C/D	1	A1	P-1	-	A	A-1	50	364 days
The Royal Bank of Scotland Plc	AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1	50	364 days
National Westminster Bank Plc	AA-	F1+	-	1	Aa3	P-1	C-	A+	A-1	50	364 days
Ulster Bank Ltd	A+	F1+	E	1	A2	P-1	D-	A	A-1	50	364 days
Santander Group *										**Group Limit 40**	
Santander UK plc	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	40	364 days
Cater Allen	AA-	F1+	B	1	Aa3	P-1	C-	AA	A-1+	40	364 days
Barclays Bank plc *	AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+	40	364 days
HSBC Bank plc *	AA	F1+	B	1	Aa2	P-1	C+	AA	A-1+	40	364 days

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
Nationwide BS *	AA-	F1+	B	1	Aa3	P-1	C-	A+	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	B	1	A2	P-1	C+	A+	A-1	40	364 days
Clydesdale Bank / Yorkshire Bank **	AA-	F1+	C	1	A1	P-1	C-	A+	A-1	10	364 days
Co-Operative Bank Plc	A-	F2	B/C	3	A2	P-1	D+	-	-	5	6 months
Northern Rock ***	BBB +	F2	C	2	-	-	-	A-	A-2	0	
Top 10 Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS	A-	F2	B/C	5	Baa1	P-2	D+	A-	A-2	0	
Coventry BS	A	F1	B	5	A3	P-2	C-	-	-	5	6 Months
Skipton BS	A-	F2	B/C	5	Baa1	P-2	D+	-	-	0	
Leeds BS	A	F1	B/C	5	A2	P-1	C+	-	-	10	364 Days
West Bromwich BS ***	BBB-	F3	C/D	5	Baa3	P-3	E+	-	-	0	
Principality BS ***	BBB +	F2	C	5	Baa2	P-2	D-	-	-	0	
Newcastle BS ***	BBB-	F3	C/D	5	Baa2	P-2	D-	-	-	0	
Norwich and Peterborough BS ***	BBB +	F2	C	5	Baa2	P-2	D	-	-	0	
Nottingham BS	-	-	-	-	A3	P-2	C-	-	-	5	6 Months
Foreign Banks have a combined total limit of £40m											
Australia	AA+	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA	F1+	B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	B	1	Aa1	P-1	B	AA	A-1+	20	364 Days

	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
Commonwealth Bank of Australia	AA	F1+	A/B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Westpac Banking Corporation	AA	F1+	A/B	1	Aa1	P-1	B	AA	A-1+	40	364 Days
Canada	**AAA**				**Aaa**			**AAA**		40	364 Days
Bank of Nova Scotia	AA-	F1+	B	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Royal Bank of Canada	AA	F1+	A/B	1	Aa1	P-1	B+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	B	1	Aaa	P-1	B+	AA-	A-1+	20	364 Days
Money Market Funds										50	2 Years
Prime Rate Stirling Liquidity	AAA MMF							AAAm		30	2 Years
Insight Liquidity Fund					AAA MR1			AAAm		30	2 Years
Ignis Sterling Liquidity	AAA MMF							AAAm		30	2 Years

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 revised credit limit of £50 million for a maximum period of 364 days

* 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 revised credit limit of £40 million for a maximum period of 364 days

** 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.