

**CABINET MEETING – 15 FEBRUARY 2012**

**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Capital Programme 2012/2013 and Treasury Management Policy and Strategy 2012/2013, including Prudential Indicators for 2012/2013 to 2014/2015.

**Author:**

Chief Executive and 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 2012/2013 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2012/2013 and to approve the Prudential Indicators for 2012/2013 to 2014/2015.

**Description of Decision:**

Cabinet is requested to recommend to Council approval of:

- the proposed Capital Programme for 2012/2013
- the Treasury Management Policy and Strategy for 2012/2013 (including specifically the Annual Borrowing and Investment Strategies)
- the Prudential Indicators for 2012/2013 to 2014/2015
- the Minimum Revenue Provision Statement for 2012/2013.

**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



## **Cabinet - 15th February 2012**

### **Capital Programme 2012/2013 and Treasury Management Policy and Strategy 2012/2013, including Prudential Indicators for 2012/2013 to 2014/2015.**

#### **Report of the Chief Executive and 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 2012/2013 and the Treasury Management Policy and Strategy for 2012/2013 (including both borrowing and investment strategies) and to set the Prudential Indicators for 2012/2013 to 2014/2015.

##### **2. Description of Decision**

- 2.1 Cabinet is requested to recommend to Council approval of:
  - the proposed Capital Programme for 2012/2013
  - the Treasury Management Policy and Strategy for 2012/2013 (including specifically the Annual Borrowing and Investment Strategies)
  - the Prudential Indicators for 2012/2013 to 2014/2015
  - the Minimum Revenue Provision Statement for 2012/2013.

##### **3. Capital Programme 2012/2013**

###### **General**

- 3.1 The proposed Capital Programme for 2012/2013 totals £60.251m and reflects ongoing capital scheme commitments from previous years of £30.052m and new starts of £30.199m. The details of the full Capital Programme for 2012/2013 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.
- 3.2 The overall programme is strong and positive and reflects both the drive to deliver on the aims and priorities set out in the Economic Master Plan as well as the Council's increasing commercial approach to secure capital investment in the City in order to secure growth and jobs.

###### **Resources Available for new Starts**

###### **Resources - Grants**

- 3.3 As reported to Cabinet in January 2012 resources have been allocated for the main programme areas of Children's Services, Adult Services, Highways, and Housing on the basis of their specific government funding approvals and other service specific resources.

The table below details Government Grants announced for 2011/2012 onwards with provisional settlements announced beyond 2012/2013.

	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s
Highways Capital Maintenance	2,804	2,919	2,877	2,768
Highways Integrated Transport	2,008	2,141	2,141	3,011
Pot Hole Repair Grant	614			
Congestion Reward Grant	50			
Nexus - Public Transport	136	188		
<b>Total Transport</b>	<b>5,612</b>	<b>5,248</b>	<b>5,018</b>	<b>5,779</b>
Education Capital Maintenance	3,979	3,177		
Education Basic Need	3,308	1,635		
Schools Devolved Funding	770	726		
<b>Total Education*</b>	<b>8,057</b>	<b>5,538</b>		
<b>Department of Health</b>	<b>829</b>	<b>848</b>		
<b>CLG-Disabled Facilities **</b>	<b>1,417</b>	<b>1,417</b>		
<b>Total Government Grants</b>	<b>15,915</b>	<b>13,051</b>	<b>5,018</b>	<b>5,779</b>
*In addition the Department for Education announced funding of £1.281m in 2011/2012 and £1.221m in 2012/2013 to be paid directly to schools.				
**The 2012/2013 Disabled Facilities Grant has been estimated based on the allocation for the previous year.				

The above table shows reduced grant allocations compared to 2011/2012, which follows significant cuts of over 50% in 2011/2012 allocations. In particular, grants for Children's Services have reduced by 31% as the criteria for grant award has moved towards school capacity issues and allocations are made to academy schools direct rather than to local authorities. Grant awards received have been considered in the drafting of proposals for future years capital programmes submitted by Directorates.

Grant allocations received in 2012/2013 are to be used to fund existing commitments, and spend on new capital schemes where that spend may take place in future years.

### Transport Funding

A provisional award of £82.6m from the Department for Transport (DfT) has been made against the total anticipated scheme costs of £117.6m for the Sunderland Strategic Corridor - New Wear Crossing. This is in line with the bid submitted in September 2011. The exact funding arrangements are subject to further discussion and agreement with DfT which may necessitate the reprofiling of expenditure within the overall total. There is a commitment to release £10m over 5 years from Transport allocations to support this project.

### New Homes Bonus Grant

From 2011/2012 the Government introduced 'New Homes Bonus' grant funding which allocates resources to local authorities in respect of increasing the housing stock in their area either through new build or returning empty properties back into use. In 2011/2012 the Council was

allocated £3.462m in total to be paid at £0.577m per annum for the next 6 years as each grant allocation is spread over a 6 year period. Cabinet approved use of the 2011/2012 allocation of £0.577m to support the Empty Property Plan through an equity loan fund of £0.250m to offer loans to owners to refurbish empty properties and through a purchasing loan fund of £0.327m available to Registered Providers or similar such as Housing Co-operatives, who could bid for funding to purchase and improve problematic empty homes.

The Council has received a provisional allocation of £1.152m New Homes Bonus grant for 2012/2013 and it is proposed that this funding is earmarked pending further consideration of use for new housing initiatives or other proposals subject to a suitable business case being developed.

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**

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

In line with previous decisions of Cabinet, the position in relation to marketing of sites will be kept under review and sites marketed when appropriate.

### **Resources – Revenue**

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

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

After reviewing the above and taking into account capital commitments, resources available to support new starts at this stage total £3.570m for 2012/2013 and £2.570m for each of the following 4 years.

### **Resources – Borrowing**

- 3.6 In addition to the above the Council has some flexibility in funding its capital programme through the use of prudential borrowing. Funding sources will be closely monitored and specific allocated funding may be switched between capital schemes where this will create efficiencies and provide best value to the Council.

Given the Council's ambitions as set out in the Economic Masterplan, the Council is pursuing a number of avenues to support business growth and to create jobs in the city. This is evident in approvals to support regeneration priorities through developments such as the Enterprise Zone, the Vaux site and other priorities across the city.

In accordance with the approach taken during 2011/2012 which supported a number of capital developments the medium term plan and budget has been updated based on enabling new capital developments to support key priorities to be funded through additional prudential borrowing.

The budget includes prudent provision for capital financing charges that may arise from an additional £12.257m prudential borrowing in 2012/2013 and £70.911m over the five year period to 2016/2017. However, it is important and positive to note that almost 50% of this investment is anticipated to be recouped through commercial arrangements over time. In addition some areas of funding will be subject to grant funding and European funding bids which are being developed. This position will therefore continue to be prudent, affordable, and sustainable into future years and within overall limits whilst still retaining flexibility.

This approach reflects a continued commercial approach to capital investment to support the regeneration of the City and the delivery of the Economic Masterplan. This approach is clear and evident in the capital programme presented for 2012/2013.

### **Detailed Proposals for New Starts and Capital Programme 2012/2013**

- 3.7 Since the January 2012 Cabinet meeting, consultation with the appropriate Cabinet Portfolio Holders has been undertaken on the proposals to utilise the resources available for new starts. The table below sets out a summary position for 2012/2013 in respect of new starts and continuing commitments. Full details of all proposed new capital projects to be included in the Council's 2012/2013 capital programme are detailed in Appendix 1.

	<b>Capital Programme 2012/2013</b>
	<b>£m</b>
Children's Services	14.488
Transport	8.916
Health, Housing and Adult Services	4.820
Other Services	32.027
<b>Total</b>	<b>60.251</b>

In drawing up the Other Services new starts account was taken of the priorities set out in the Sunderland Economic Master plan and also the outcome of budget consultations. The following major schemes are proposed in respect of the Other Services Block. Further details about the schemes are shown in Appendix 1, Section 4.

Project	Total Council Funding £m	Spend 2012/2013 £m
Infrastructure works To support City Centre Development		
- Magistrates Square and Public Realm	8.000	1.264
- Sunderland Station	3.000	0.100
- Festivals and events	0.500	0.250
Enterprise Zone infrastructure Works	21.000	2.000
Strategic site acquisitions	3.000	1.000
Economic Development Grants	4.100	0.900
Transport Priorities	5.000	1.000
Washington Leisure Centre Replacement	11.300	1.700
Roker Pier and Lighthouse structural works	1.350	0.450
Seafront Regeneration	1.500	0.500
Port invest to save operational investments	0.500	0.500
Planned building maintenance works	3.000	1.000
Riverside Repairs	0.200	0.100
Modernisation investment – invest to save	1.100	1.100
	<b>63.550</b>	<b>11.864</b>

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

### **Further Reports**

- 3.8 In accordance with the Council's Constitution, prior to commencement of projects, details of all new schemes 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.
- 3.9 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 2012/2013, 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 31<sup>st</sup> 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 2012/2013 for the Council is set out in Section 1.10 a) to d) of Appendix 4.

## **5. Treasury Management**

### **5.1 General**

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



## 5.2 Statutory requirements

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

The Department of Communities and Local Government issued revised investment guidance which came into effect from 1 April 2010 and the Chartered Institute of Public Finance and Accountancy (CIPFA) has updated its Treasury Management in the Public Services Code of Practice in November 2011. Revisions made in the Code of Practice were largely regulatory updates to reflect developments resulting from the Localism Act 2011 and in particular changes to the way that local authority housing finance will operate. The Council has adopted the CIPFA Code of Practice and there are no major changes required to Treasury Management practices and arrangements that the Council already has in place. This is due in the main to the fact the Council undertook a Large Scale Voluntary Transfer in March 2001 and consequently has no housing stock.

## 5.3 CIPFA Code of Practice requirements

The CIPFA Code of Practice on Treasury Management was fully adopted by the Council on 3<sup>rd</sup> 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.

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

3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director of Commercial and Corporate Services, who acts in accordance with the organisation's Policy Statement, TMP's and CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council 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 2012/2013**

- 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 2012/2013 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 2012/2013 is set out in Appendix 6 and is based upon the views of the Executive Director of Commercial and Corporate Services, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Sector Treasury Services.
- 5.4.4 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. The Council's current average rate of borrowing at 3.42% is low in comparison with other local authorities whilst the current rate earned on investments at 1.63% 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. Market conditions are also under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling. This is reflected in the recent acquisition of a 50 year PWLB loan for £10m at a rate of 3.99%, where rates have been monitored daily and the council has taken advantage of a dip in the rates to access a loan that represents excellent value over the longer term.

#### **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 2012/2013

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 (2011 Edition)

Treasury Management in the Public services Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition)

## Capital Programme 2012/2013 – New Starts

### 1.0 Children’s Services Capital Proposals 2012/2013

- 1.1 The Secretary of State for Education, Michael Gove announced details of schools capital funding for 2012/2013 on 13<sup>th</sup> December 2011 following the Local Government Finance Settlement.

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

	<b>2011/2012 Allocation</b>	<b>2012/2013 Allocation</b>
	<b>£’000</b>	<b>£’000</b>
<b>Education – LA Block</b>		
Capital Maintenance	3,979	3,177
Basic Need	3,308	1,635
	<b>7,287</b>	<b>4,812</b>
<b>Schools Block</b>		
Local Authority Devolved Formula Capital (Standards Fund)	770	726
Local Authority Voluntary Aided Devolved Formula Capital (Standards Fund)	222	222
Local Authority Co-Ordinated Voluntary Aided Programme	1,059	999
	<b>2,051</b>	<b>1,947</b>
<b>All Capital Approvals</b>	<b>9,338</b>	<b>6,759</b>

### 1.2 Proposals for Children’s Services Capital Programme New Starts 2012/2013

- 1.2.1 In 2012/2013 Sunderland City Council will be allocated £1.635 million in Basic Need funding and £3.177 million for Capital Maintenance.

- 1.2.2 Education Capital has again been severely reduced. Overall Capital Grants have reduced by 27.6% from 2011/2012 allocations (this follows a 53.0% reduction in 2011/2012 from original 2010/2011 allocations). The Local Authority Element has reduced by 34.0% (following a 39.6% reduction in 2011/2012). The intention was that 2011/2012 would be treated as an interim year before the recommendations from the Sebastian James review of Department for Education (DfE) capital programmes could be implemented. However, DfE have again announced a one year funding allocation for 2012/2013 whilst they reflect on ‘the rapidly changing situation in local areas on both demographic growth and numbers of schools converting to Academy status’.

- 1.2.3 The maintenance proportion of the funding has been determined by weighted pupil numbers by school from the most recent data available and shows a 20% reduction on the maintenance funding available in 2011/12. The voluntary-aided sector has been allocated a share based on pupil numbers, and reflecting the governors' contribution and eligibility for VAT. Nationally funding of £276 million has been held back centrally for academies which mean that there will be no call from academies on the capital maintenance funds allocated to Local Authority schools. Basic Need (BN) funding has been also reduced by approximately 40%. BN funding is intended to provide new school places where needed and must cover the needs of maintained, and voluntary aided (VA) schools. Unlike last year where there was no requirement for new places, it is proposed that a proportion of this funding be allocated to provide additional primary places in areas where there is pressure on capacity. The LA will need to discuss a pro-rata share of BN funding with the Dioceses and potentially Academy Trusts. It is proposed that the remainder of the BN funding and the Capital Maintenance allocation are then treated as a single sum to address priority projects across all schools.
- 1.2.4 In October 2011 the Council submitted bids for five schools (2 secondary and 3 primary schools) to the Priority Schools Capital Programme (PSCP). Cabinet approved the submission on 5<sup>th</sup> October 2011. The programme, which is a Private Finance Initiative (PFI) is designed to re-build schools in the worst condition nationally and those in the most pressing case of Basic Need. The full scale of the national programme is still to be finalised but it is likely to include a mix of primary, secondary and special schools, sixth form and alternative provision potentially covering 100 -300 schools in total. Procurement will be based upon standardised designs and space standards. The programme will build new schools rather than refurbish or extend existing ones.

Being a PFI initiative, there is a requirement that Schools must accept being part of a long-term (approximately 27 year) private finance arrangement including Hard/ Soft Facilities Management (FM). This includes a requirement for schools to make a contribution to the annual revenue payment of around £50-£60 per square metre. As it would be extremely difficult for individual schools to meet this additional cost pressure an alternative way of funding the shortfall for the schools involved would be an increased allocation from the overall Dedicated Schools Grant (DSG). This would be an additional call on the DSG which would be effectively 'top-sliced' before schools receive their individual allocations. The Schools Forum agreed this proposal in principle at its 15<sup>th</sup> September 2011 meeting. Outcomes from the bidding exercise are anticipated in March 2012.

- 1.2.5 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 to schools. However, final allocation of capital resources to support the most pressing needs in the schools Asset Management Plan will only be made following the outcome of the PSCP bids that the Council has made. Should the Council not be successful in its bids then it will be necessary to complete high priority capital work outstanding at those schools. If the bid is successful it is proposed that resources are made available from within the programme to provide some loose furniture and ICT kit at successful schools as there is no allocation within PSCP for this.
- 1.2.6 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.
- 1.2.7 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 has been repaid from 2011/2012 funding allocations with £0.250 million allocated on an ongoing basis until repayments have been made (pending further government announcements concerning future capital allocations).
- 1.2.8 Devolved Formula Capital allocated to schools to address maintenance priorities or to upgrade ICT stock reduced by 75% in 2011/12 and remains at a similar level in 2012/13.

## 2.0 Highways Capital Proposals 2012/2013

2.1 The Department for Transport (DfT) announced LTP allocations on 13<sup>th</sup> December 2010 for 2011/2012 and 2012/2013 which are set out below. In addition the Council receives a contribution from Nexus Allocation towards public transport initiatives.

	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
Nexus Allocation	136	188		
<b>Total Transport</b>	<b>4,946</b>	<b>5,248</b>	<b>5,018</b>	<b>5,779</b>

## 2.2 Proposals for Highways Capital Programme New Starts 2012/2013

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

2.2.2 The proposed capital programme for future years, excluding ongoing commitments in relation to land costs associated with Southern Radial Route, Central Route and New Wear Crossing, will leave £3.808m to support the following priorities

- the structural maintenance of highways and bridges – £1.570m.
- economic development and regeneration by managing congestion; support safe and sustainable communities by improving Road Safety and, improving access; address climate change by promoting sustainable travel through a bid for funding from the Local Sustainable Transport Fund - £2.050m
- public transport initiatives - £0.188m

## Appendix 1

### 3.0 Health, Housing and Adult Services Capital Proposals 2012/2013

3.1 The Council now receive a single Department of Health (DoH) capital grant on the basis of social care Relative Needs Formula. The allocation to Sunderland was £0.829 million in 2011/2012 and will be £0.848 million in 2012/2013. The grant is not ring fenced but is expected to be used to support three key areas which comprise of personalisation, reform and efficiency.

3.2 The amount of Disabled Facilities Grant for 2012/2013 to is not anticipated to be announced until mid-February 2012 however CLG have confirmed that they will protect the overall level of DFG available nationally and it is anticipated the Council will receive a similar level to the £1.417m received in 2011/2012. The DFG grant is not ring fenced but is expected to be used to support individuals being able to remain in their own properties for as long as possible in a safe and secure environment.

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

### 3.3 Proposals for Health, Housing and Adult Services Capital Programme New Starts 2012/2013

The following projects are proposed for inclusion in the 2012/2013 capital programme:

#### 3.3.1 Housing

##### **Disabled Facilities Grant**

It is proposed that the Disabled Facilities Grants budget for 2012/2013 remains at £2.346m, the same level as 2011/2012. This can be funded through a specific government grant of £1.417m (indicative allocation), a Council contribution of £0.570m, a Directorate revenue contribution of £0.127m, a contribution from Registered Social Landlords of £0.130m and DoH funding of £0.102m.

##### **Housing Renovation Loans Scheme**

The Housing Renovation Loans Scheme which is administered by 5 Lamps requires a partner contribution of approximately £0.100m in 2012/2013. This is the same level of contribution as 2011/2012 and can be met from the DoH grant.

#### 3.3.2 Adult Services

##### **Refurbishment Works**

Annually the Directorate reviews all establishments including those occupied by clients and a schedule of works that are required is drawn up to ensure that these establishments are maintained at an acceptable level. Directorate establishments refurbishment needs amounting to £0.150m



have been identified to maintain standards of provision for residential and day care and enhancing service delivery.

### **IT Schemes**

Continuous development of the Document Management System (Road Map) will ensure current systems support the modernisation agenda. A budget of £0.025m for each year 2012/2013, 2013/2014 and 2014/2015 is proposed which can be met from the DoH grant.

### **Extra Care**

It is proposed £0.409m 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; older persons accommodation solutions including dementia specialist housing options and opportunities for maximising referrals into appropriate self contained accommodation which gives people independent living for longer with the provision of care and support tailored to the needs of the individual.

### **Summary of Capital Proposals in 2012/2013**

	<b>£'000</b>
Disabled Facilities Grant	2,346
Housing Renovation Loans Scheme	100
Improvements to Care and Support	150
Document Management System	25
Extra Care	409
<b>Total Expenditure</b>	<b>3,030</b>

#### **4.0 Other Services Capital New Start Proposals 2012/2013**

Resources to support other services proposals for capital projects are set out in Section 3 of the main report. The following projects are proposed for inclusion in the 2012/2013 capital programme:

##### **4.1 City Centre Infrastructure Developments**

Following acquisition of the Vaux site in February 2011 interim site works are underway to improve the appearance of the site and provide temporary uses pending comprehensive redevelopment. A number of developments around the city centre are proposed that will assist in attracting developers to the site.

##### **4.1.1 Magistrates Square / High Street West improvements £5.000m (£0.264m in 2012/2013, £0.088m in 2013/2014, £3.648m in 2014/2015 and £1.000m in 2015/2016 – timing of spend uncertain)**

This scheme will provide a contemporary, vibrant and flexible civic space. Formation of the civic space will form a central hub providing clear access to High St West, the Bridges, Minster Quarter and Vaux. It is envisaged Magistrates Square would become an important civic space within the city centre capable of accommodating a wide range of events and activities and will contribute significantly to achieving the vision for Vaux and also in reviving the heart of the city centre. Appropriate improvements to the High St West area would be undertaken following completion of Magistrates Square to deliver a comprehensive and cohesive public realm at the heart of the retail core.

##### **4.1.2 Investment Corridors £3.000m (£1.000m in 2012/2013, 2013/2014 and 2016/2017)**

This project will target investment in public realm improvements, property acquisitions and improvements, and complementing private sector development / investment. It will build on investment to date in the city centre and is important in improving perception of the city centre, boosting business confidence and private investment. Work is to be carried out will seek to optimise any opportunities afforded by private sector development within the corridors and could include Fawcett St, St Michael's Way, High St East, and High St West.

##### **4.1.3` Sunderland Railway Station £3.000m (£0.100m in 2012/2013, £0.100m in 2013/2014 and £2.800m in 2014/2015)**

Following the completion of the platform level improvements by Nexus, the long-term proposal to deliver improvements to the above ground station building will be the next phase to take place. A feasibility study has been undertaken and Network Rail and Nexus are also keen to progress phase 2 and are also seeking to provide match funding of £6m, however detailed plans and the programming of funding by partners is still to be agreed.

**4.2 Festivals and Events £0.500m (£0.250m in 2012/2013 and 2013/2014)**

It is proposed that funding is provided to continue with the Council's festivals and events programme. The programme is aimed at attracting supporting business and investment to the city through continual development of the programme.

**4.3 Enterprise Zone Infrastructure £21.000m (£2.000m in 2012/2013, £2.000m in 2013/2014, £2.500m in 2014/2015, £2.000m in 2015/2016 and £12.500m in 2016/2017)**

This proposed investment involves potential forward funding of infrastructure required to facilitate development that will help to deliver the objectives of the Enterprise Zone as previously reported to Cabinet. It is envisaged Council's capital expenditure will be recouped over time from a rise in associated business rates. The project detail is at an early stage of development and the extent and spend profile of work is indicative at this stage.

It is anticipated that European and other funding will be available to support works within the Sunderland Enterprise Zone, and bids are being pursued.

**4.4 Strategic Land Acquisitions £3.000m (£1.000m per annum for three years)**

It is proposed that funding is provided to acquire further land and buildings which are considered to be of strategic importance and would contribute towards the Council's physical regeneration aspirations for the City. Proposals for acquisition will be brought forward in accordance with the requirements of the Council's policy.

**4.5 Economic Development Grants Provision £4.100m (£0.900m in 2012/2013, £0.800m in 2013/2014, £0.800m in 2014/2015, £0.800m in 2015/2016 and £0.800m in 2016/2017)**

This proposal seeks to continue the policy of providing funding for a range of capital projects. Particular emphasis will be to assist sustainable business growth and investment activities, particularly where new job creation in the City will result.

**4.6 Washington Leisure Centre £11.300m (£1.700m in 2012/2013 and £9.600m in 2013/2014)**

A feasibility study has identified that significant investment is required in order to redevelop sports facilities in Washington. The Northumbria Centre closed in 2009 as a result of health and safety related issues and Washington Leisure Centre is in a poor state of repair with an upgrade not representing value for money.

A new centre providing a 25m pool, learner pool, wellness facilities, an 8 court sports hall plus outdoor football facilities is proposed. The new centre will provide much improved facilities and it is projected that the additional use of the centre will generate savings to the current budget of £0.178m per annum.

Timing of spend is indicative at this stage and subject to further detailed work to be undertaken.

**4.7 Transport Priorities £5.000m (£1.000m per annum for 5 years)**

The Council's Local Transport Plan allocation available for highways maintenance and integrated transport works has been significantly reduced with a cut of over £3.4m (48%) planned for 2012/2013 compared to 2009/2010. This will have a detrimental effect on the ability to adequately maintain highways and footways and to improve road safety, pedestrian facilities and congestion measures which are of significant importance to the public.

In order to minimise deterioration to transport infrastructure and meet priorities for residents it is proposed that an additional £1m per year for 5 years is made for transport schemes. The focus of additional capital maintenance works will be on residential streets and the links between these and the classified road network. For Bridges additional funding will be allocated to structural maintenance and for Integrated Transport the additional funding would allow better roll out of community projects such as 20 mph zones, parking management schemes in residential areas and pedestrian crossing facilities.

**4.8 Roker Pier and Lighthouse £1.350m (£0.450m per annum for three years)**

To recognise the need to address major maintenance works to Roker Pier and Lighthouse and avoid significant future capital expenditure a rolling programme of refurbishment works is proposed. This includes repairs to the lighthouse and pier structure below the waterline; resurfacing of the full length of the decking; and, the restoration / replacement of railings and new interpretation material along the pier. Works would maintain the fabric of the Grade II Listed pier and would compliment the promenade improvements undertaken through the Sea Change project.

Opportunities will be explored to seek match funding towards the works from the Environment Agency and Heritage Lottery Fund.

**4.9 Sea Front £1.500m (£0.500m per annum for three years)**

In order to recognise community priorities and help deliver the Council's Sea Front Regeneration Strategy a three year improvement programme for the seafront is proposed. Works will be designed to generate and support private sector investment, such as the development of a new visitor building on the site of the former Seaburn Shelter, in line with the approved Seaburn and Marine Walk Masterplans.

Following Sunderland's success in the 3rd Sea Change round, and the work that has been undertaken to progress the Seafront Regeneration project, it is also hoped to secure Coastal Communities funding following the Government's announcement that further funding is to be made available.

**4.10 Property Planned Maintenance – £3.000m (£1.000m per annum for three years)**

To help prevent the ongoing degradation of the property portfolio it is proposed that additional resources amounting to £1m per annum are provided for three years to allow proactive investment on planned capital maintenance.

**4.11 Port of Sunderland £0.500m in 2012/2013**

In order to meet operational requirements there is a need to carry out capital maintenance to Number 1 Dock Gates and it is proposed to purchase a second hand tug and other items of plant and machinery. Funding can be met from existing prudential borrowing and reserve allocations made to the Port.

**4.12 Coast Protection – Port £2.387m (£0.694m in 2013/2014 and £1.693m in 2014/2015 – net cost)**

The completed Coast Protection Strategy Review Report Phase 1 identifies the North East Pier, South West Breakwater and Hendon Foreshore Barrier, all of which are located within Strategy Frontage 3 within the Port of Sunderland, as being the top priority for future coastal defence capital works. These structures protect the Port's infrastructure from coastal erosion and flooding and a delay in carrying out this scheme may in turn adversely impact on infrastructure and business of the Port tenants. In addition the current condition of these structures may deter potential new businesses from taking residence in the Port.

Under the new DEFRA funding regime, schemes are to be funded locally with Environment Agency (EA) partial contributions. There is a high degree of confidence in securing Flood Defence Grant in Aid (FDGiA) funding contributions from the EA, what is unclear is the timing in which this funding would become available which will be dependent on a full bid following production of a Project Appraisal Report. At this stage it is estimated that total cost of the scheme would be £4.230m and that the net costs to the council would be £2.387m with an additional £1.843m being received in grant.

#### **4.13 Coast Protection – South Bents to Seaburn £0.570m in 2013/2014 (net cost)**

This coast protection scheme, to begin in 2013/2014, continues protection to Strategy Frontage 1 (South Bents and Seaburn). With climate change and anticipated sea level rise the provision of a rear flood protection wall to the promenade is proposed to afford protection to the A183 highway and adjacent residential and business properties.

As part of the ongoing Coast Protection Strategy Review Phase 2 a detailed flood risk assessment is being undertaken to establish the extent and depth of future coastal flooding. The outcome of this assessment will inform the need for and magnitude of the flood wall. The coastal frontage is seen as a significant leisure and tourism asset with aim 3 of the Sunderland Economic Masterplan being to develop a prosperous and well-connected waterfront and seafront centre. Total cost of the scheme is estimated as being £0.800m and FDGiA of £0.230m will be pursued.

#### **4.14 Riverside Repairs - £0.200m (£0.100m in 2012/2013 and £0.100m in 2013/2014)**

Accelerated Low Water Corrosion is affecting riverside structures supporting footpaths and other infrastructure. A programme of repairs would prevent these structures from deteriorating and failing.

#### **4.15 Modernisation Improvements £1.100m in 2012/2013**

A provision is proposed to enable further investment to support business transformation and the delivery of further efficiencies in key areas including employee self service, document management and SAP developments to meet alternative methods of delivery.

#### **4.16 Capital Contingencies**

Resources have also 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 in partnership with the private sector to support investment in the City and enable future strategic developments to take place
- major leisure and cultural projects where funding details with partners are being progressed
- other major regeneration capital works within the City that will support the five Aims of the Sunderland Economic Masterplan

## CAPITAL PROGRAMME

Summary of Programme  
2011/12 to 2015/16

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Leader	24,655	4,756	5,619	5,780	3,000	3,500	2,000
Deputy Leader	14,001	4,812	6,364	2,825			
Cabinet Secretary	7,640	779	2,818	2,043	1,000	1,000	
Children and Learning City	39,108	7,805	14,807	14,488	1,466	392	150
Prosperous City	34,375	4,067	9,960	7,212	4,088	7,248	1,800
Health and Well Being	28,361	1,743	4,299	5,890	12,170	2,142	2,117
Safer City and Culture	4,650	1,019	311	2,310	1,010		
Attractive and Inclusive City	209,894	62,850	11,917	11,390	42,880	54,564	26,293
Sustainable Communities	15,066	6,847	4,131	1,700	2,388		
Responsive Services and Customer Care	5,518	2,474	2,974	70			
Contingencies	38,260			6,543	25,920	5,401	396
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>421,528</b>	<b>97,152</b>	<b>63,200</b>	<b>60,251</b>	<b>93,922</b>	<b>74,247</b>	<b>32,756</b>

**CAPITAL PROGRAMME**

Source of Finance	Estimated Payments				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>From External Sources</b>					
Loans					
- Supported Borrowing		5,246			
- Unsupported Borrowing	6,656	19,245	47,441	20,960	5,222
Government Grants					
- Disabled Facilities	1,417	1,417	1,097	1,127	1,127
- Department for Communities and Local Government	33	636			
- Department of Health	1,617	876	25	25	
- Department for Education - Capital Maintenance	1,806	5,350			
- Department for Education - Basic Needs	3,209	1,734			
- Department for Education - Devolved Formula Grant	1,763	2,258	1,316	242	
- Department for Education - Building Schools for the Future	484				
- Department for Education - Primary Strategy for Change	3,823				
- Department for Education - Extended Schools	1,009				
- Department for Education - Other	809				
- Department for Transport -Transport Grant	5,004	5,817	5,018	5,779	5,644
- Department for Transport -S31 Transport Grant			28,073	36,867	17,623
- Department for Transport -Other	20				
- Department for Culture Media and Sport	18				
- Coast Protection	220		766	1,307	
- Single Housing Investment Pot	670	100	94		
- New Homes Bonus	77	500			
- CABE Sea Change Fund	707				
English Heritage Lottery Grants	44	600	2,000	2,000	
European Grants	4,484	2,498	1,050		
Grants from Other Public Bodies					
- One North East	3,190				
- Homes and Communities Agency	2,716	1,000	2,294		
- Football Foundation	150	250	200		
- Sport England		200			
- Coalfield Regeneration Trust		100			
- Nexus	320	188			
- Lawn Tennis Association	167				
- School Governors Contribution	600				
Other External Funding	238	225	155	130	130
<b>Total External Sources</b>	<b>42,251</b>	<b>48,240</b>	<b>89,529</b>	<b>68,437</b>	<b>29,746</b>
<b>From Internal Sources</b>					
Revenue Contributions					
- General Fund	1,085	2,570	2,570	2,570	2,570
- Children's Services	281	150	150	150	150
- Health Housing and Adult Services	220	127	298	290	290
- City Services	90				
- Strategic Initiatives Budget	336	56			
Capital Receipts	790	700			
Reserves					
- Strategic Investment Reserve	8,314	2,987			
- Strategic Investment Plan	2,281	613	225		
- Unutilised RCCO Reserve	5,614	677			
- Port Reserve	907	143			
- Working Neighbourhoods Reserves	1,494	2,450	1,050		
- Business Transformation Reserve	230	70			
- Modernisation Reserve		1,000			
- Sunderland Railway Station Reserve		100	100	2,800	
- Other Capital Reserves	307	368			
<b>Total Internal Sources</b>	<b>21,949</b>	<b>12,011</b>	<b>4,393</b>	<b>5,810</b>	<b>3,010</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>63,200</b>	<b>60,251</b>	<b>93,922</b>	<b>74,247</b>	<b>32,756</b>



## **LEADER CAPITAL PROGRAMME**

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

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

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § During 2011/2012, Economic Development Support included contribution to the development of an electricity sub-station.
- § Purchase of strategic assets within the City Centre that will enable further regeneration within the city to take place.

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO 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**

#### **Ongoing Commitments**

- § Complete advance site works to the former Vaux Site: landscaping and the provision of temporary parking facilities.

#### **New Starts**

- § A programme of infrastructure works required to facilitate development and deliver the objectives of the Enterprise Zone within Sunderland.
- § A provision has been made for land acquisitions where this will benefit the Councils Strategic Objectives.

**LEADER  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments					
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	
<b>MAIN BLOCK</b>								
Continuing Projects	5,155	4,756	399					
Projects Commencing 2011/2012	8,000		5,220	2,780				
Projects Commencing 2012/2013	11,500			3,000	3,000	3,500	2,000	
Projects Commencing 2013/2014								
Projects Commencing 2014/2015								
Projects Commencing 2015/2016								
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>24,655</b>	<b>4,756</b>	<b>5,619</b>	<b>5,780</b>	<b>3,000</b>	<b>3,500</b>	<b>2,000</b>	

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing	2,619	4,780	3,000	3,300	800
Government Grants - One North East	1,000				
<b>Total External Sources</b>	<b>3,619</b>	<b>4,780</b>	<b>3,000</b>	<b>3,300</b>	<b>800</b>
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions - General Fund				200	1,200
Reserves - Strategic Investment Reserve	1,000	1,000			
- Unutilised RCCO Reserve	1,000				
<b>Total Internal Sources</b>	<b>2,000</b>	<b>1,000</b>		<b>200</b>	<b>1,200</b>
<b>TOTAL FINANCING</b>	<b>5,619</b>	<b>5,780</b>	<b>3,000</b>	<b>3,500</b>	<b>2,000</b>

**LEADER  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Continuing Projects</b>								
CS93016	<b>City Business and Investment</b> Strategic Land Acquisition Provision	C Clark	5,155	4,756	399				
<b>TOTAL CONTINUING PROJECTS</b>			<b>5,155</b>	<b>4,756</b>	<b>399</b>				
	<b>Projects Commencing 2011/12</b>								
CS93013/15	Strategic Economic Development Support	J Snaith	2,000		2,000				
CS93018	Advance Site Works	C Clark	2,000		1,000	1,000			
CS93016	Strategic Land Acquisition Provision	C Clark	4,000		2,220	1,780			
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>8,000</b>		<b>5,220</b>	<b>2,780</b>			
	<b>Projects Commencing 2012/13</b>								
CS93016	Enterprise Zone Infrastructure	J Snaith	8,500			2,000	2,000	2,500	2,000
	Strategic Land Acquisition Provision	C Clark	3,000			1,000	1,000	1,000	
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>11,500</b>			<b>3,000</b>	<b>3,000</b>	<b>3,500</b>	<b>2,000</b>
<b>TOTAL CAPITAL PROGRAMME</b>			<b>24,655</b>	<b>4,756</b>	<b>5,619</b>	<b>5,780</b>	<b>3,000</b>	<b>3,500</b>	<b>2,000</b>

## **DEPUTY LEADER CAPITAL PROGRAMME**

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

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

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § Improvements to the Voice and Data Network are substantially complete and are generating significant improvements to the network as well as significant revenue savings.
- § 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.

### **KEY MEDIUM TERM PRIORITIES**

- § To meet the Aims of the Economic Masterplan (see above).
- § ICT medium term priorities include assisting the Council to meet its Smarter City objectives.
- § To facilitate efficiencies and improvements to IT systems and working practices within the Council.

### **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:

- § The investment in the voice and data network producing significant revenue savings in terms of reduced line rentals.
- § The investment in Business Warehousing producing a seamless electronic purchasing process.
- § The Cloud Computing Model is expected to reduce the Council's operational costs by £1.4m annually over the next five years, in the delivery of IT services through a reduction in hardware, software, maintenance and improved IT management.

### **CAPITAL INVESTMENTS FOR THE YEAR**

#### **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 home working pilot, and IEG4 Intelligent e-forms enabling efficiencies through customers being able to complete benefit applications on line.
- § Continue with the Corporate Computing Model. The Council has selected supplier IBM to provide a city-wide Cloud Computing platform that will not only meet the Council's own needs, but will stimulate economic growth for the benefit of the whole city by reducing technological investment barriers and promote Sunderland as Smarter City.
- § 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.

#### **New Starts**

- § The Council will create efficiencies by moving to a self serve approach for managers and employees with regard to Human Resources processes.
- § Introduction of a new system to the management of paper based documents that will meet the needs of the more flexible computing environment that will be delivered by the Corporate Computing Model.
- § Developments to SAP that will meet different operating arrangements.

**DEPUTY LEADER  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	6,863	4,812	1,063	988			
Projects Commencing 2011/2012	6,038		5,301	737			
Projects Commencing 2012/2013	1,100			1,100			
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>14,001</b>	<b>4,812</b>	<b>6,364</b>	<b>2,825</b>			

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing	162				
Government Grants - Communities and Local Government	200	636			
<b>Total External Sources</b>	<b>362</b>	<b>636</b>			
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- Directorate Resources - Children's Services	111				
- Directorate Resources - HHAS	105				
Reserves					
- Strategic Investment Reserve	5,164	737			
- Strategic Investment Plan	160	147			
- Unutilised RCCO Reserve	462	305			
- Modernisation Reserve		1,000			
<b>Total Internal Sources</b>	<b>6,002</b>	<b>2,189</b>			
<b>TOTAL FINANCING</b>	<b>6,364</b>	<b>2,825</b>			

**DEPUTY LEADER  
CAPITAL PROGRAMME**

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Continuing Projects</b>									
<b>ICT</b>									
CS91012	Improvements to Voice and Data Network	T Baker	1,840	1,717	123				
CS94017	Complaints and Freedom of Information Act	E Waugh	110	36	74				
CS94054	Flexible Working Solutions	T Baker	100	41	59				
CS94034-48	Digital Challenge	T Baker	3,391	2,555	200	636			
CS91013	SAP Infrastructure	T Baker	100	70	30				
CS91015	Power Supply to Data Centre	T Baker	80	71	9				
CS91016	Revenue and Benefits system Ph2	F Brown	400	93	160	147			
CS94058	Cash Receipting	T Baker	146	104	42				
CS91013	SAP Archiving	T Baker	205			205			
CS94056	Call Manager Replacement	T Baker	491	125	366				
<b>TOTAL CONTINUING PROJECTS</b>			<b>6,863</b>	<b>4,812</b>	<b>1,063</b>	<b>988</b>			
<b>Projects Commencing 2011/12</b>									
<b>ICT</b>									
CS94057	Automated Court Bundle	E Waugh	30		30				
CS94061	Corporate Computing Model	T Baker	5,901		5,164	737			
CS94060	Network Upgrade	T Baker	30		30				
CS94059	Telephony Upgrade	T Baker	77		77				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>6,038</b>		<b>5,301</b>	<b>737</b>			
<b>Projects Commencing 2012/13</b>									
<b>ICT</b>									
CS91020	Employee Self Service	T Baker	500			500			
	Electronic Document Management	T Baker	500			500			
	SAP Development	S Tognarelli	100			100			
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>1,100</b>			<b>1,100</b>			
<b>TOTAL CAPITAL PROGRAMME</b>			<b>14,001</b>	<b>4,812</b>	<b>6,364</b>	<b>2,825</b>			

**CAPITAL PROGRAMME  
CABINET SECRETARY**

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

The Cabinet Secretary capital programme will contribute towards 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**

- § Investment in a new mobile Crane at the Port of Sunderland to meet the demands of new and existing business needs and improve the efficiencies of cargo handling operations.
- § A full dredge of the operational areas of the river and quay areas was undertaken in 2011/2012 in order to maintain depth levels at Port which will ensure safe access and egress for vessels. In addition, on-going maintenance dredging arrangements are now in place to ensure these dredged depths are maintain and managed 'in-house' by the Port
- § Infrastructure improvements to the Port.

**KEY MEDIUM TERM PRIORITIES**

- § A Business Improvement Plan for the Port has been completed, agreed by the Port Board and is in the implementation phase to meet the stated objectives.
- § Recent commercial opportunities have allowed the Port to facilitate pre-development survey and assembly/installation works associated with the offshore renewable energy and sub sea engineering sectors
- § The on-going investment programme will support the requirement to develop the Port's fledgling infrastructure to provide both further support services and capacity to maximise this market potential

**HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL**

- § The introduction of home working will increase utilisation of Council buildings, improve staff productivity and performance.
- § 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.

**CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

**Ongoing Commitments**

- § Works to improve the entrance to the port.
- § Port workshop relocation will further rationalise the Port estate, thereby providing additional land for potential new business development

**New Starts**

- § Planned capital maintenance of assets to provide medium term efficiencies and prevent the ongoing degradation of the asset portfolio
- § Capital Maintenance works to maintain Number 1 Dock Gates at the Port.
- § Acquisition of a tug boat and other equipment to provide towage and general support activities to vessels and barges utilising the Port as a commercial service and a diversification of the Port's commercial activities

**CAPITAL PROGRAMME  
CABINET SECRETARY**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	989	779	210				
Projects Commencing 2011/2012	3,151		2,608	543			
Projects Commencing 2012/2013	3,500			1,500	1,000	1,000	
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>7,640</b>	<b>779</b>	<b>2,818</b>	<b>2,043</b>	<b>1,000</b>	<b>1,000</b>	

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing	845	400	50		
Government Grants - European Grants	130				
<b>Total External Sources</b>	<b>975</b>	<b>400</b>	<b>50</b>		
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions - General Fund			950	1,000	
Reserves - Port Reserve	907	143			
- Strategic Investment Reserve	750	1,500			
- Other Capital Reserves	186				
<b>Total Internal Sources</b>	<b>1,843</b>	<b>1,643</b>	<b>950</b>	<b>1,000</b>	
<b>TOTAL FINANCING</b>	<b>2,818</b>	<b>2,043</b>	<b>1,000</b>	<b>1,000</b>	



**CAPITAL PROGRAMME  
CABINET SECRETARY**

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Continuing Projects</b>									
	<b>Port</b>								
DR91708	Port Regeneration Study	C Clark	453	444	9				
DR92010	Port Workshops Relocation	M Hunt	288	106	182				
CS92011-15	Port Equipment	M Hunt	248	229	19				
<b>TOTAL CONTINUING PROJECTS</b>			<b>989</b>	<b>779</b>	<b>210</b>				
<b>Projects Commencing 2011/12</b>									
	<b>Land and Property</b>								
CS92034	Dilapidations Glover Site	C Clark	186		186				
CS91019	Smarter Working	C Clark	1,250		750	500			
	<b>Port</b>								
CS92016	Port Dredging	M Hunt	556		556				
CS92019	Drainage Works	M Hunt	85		85				
CS92020	Lime Works	M Hunt	40		40				
CS92018	Road Realignment	M Hunt	19		19				
CS92017	Port Entrance	M Hunt	180		137	43			
CS92022	Lighting Improvements	M Hunt	130		130				
CS92022	Health and Safety equipment/works	M Hunt	155		155				
CS92021	Equipment	M Hunt	50		50				
CS92023	Mobile Crane	M Hunt	500		500				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>3,151</b>		<b>2,608</b>	<b>543</b>			
<b>Projects Commencing 2012/13</b>									
	<b>Land and Property</b>								
	Property Planned Capital Maintenance	C Clark	3,000			1,000	1,000	1,000	
	<b>Port</b>								
	Dock Gate Capital Repairs	M Hunt	250			250			
	Tug Boat	M Hunt	150			150			
	Equipment	M Hunt	100			100			
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>3,500</b>			<b>1,500</b>	<b>1,000</b>	<b>1,000</b>	
<b>TOTAL CAPITAL PROGRAMME</b>			<b>7,640</b>	<b>779</b>	<b>2,818</b>	<b>2,043</b>	<b>1,000</b>	<b>1,000</b>	

## CHILDREN AND LEARNING CITY CAPITAL PROGRAMME

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

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

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

The Children and Young People's Plan priorities:

- § 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
- § The Children's Services AMP, which contains updated information about the condition, suitability and sufficiency of all school buildings.
- § 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 funding. The LA provides support to schools in assisting them in planning this expenditure to achieve school development priorities
- § Partnership working which is key to making right investment choices and to supporting the wider regeneration agenda in Sunderland
- § Providing young people leaving care with a residential resource

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § 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
- § Capital works to reconfigure accommodation and provide children's centre outreach facilities at Seaburn Dene Primary School were completed in 2011.
- § Capital works to provide window replacements, boiler improvements, roofing works and safety works, to meet with asset management priorities, at a number of primary, secondary and special schools

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO AN EFFICIENT AND EFFECTIVE COUNCIL**

- § Children's Services is participating in a corporate wide review of accommodation with a view to rationalising property. The moves towards locality and integrated working began with staff from the North locality team located at Bunnyhill in January 2011, staff from the West locality team located at Sandhill Centre in July 2011, staff from the Coalfields locality team located at the Hetton Centre and Houghton Connexions building in October 2011, the Washington locality located at Washington library and Washington Connexions buildings in January 2012, and the East locality team due to relocate to the former Hendon Health Centre in March 2012. The moves include adopting a more flexible and mobile working model. These changes will generate

## CHILDREN AND LEARNING CITY CAPITAL PROGRAMME

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**

#### **Ongoing Commitments**

- § The replacement of St Joseph's Primary School, the initial priority school replacement identified in the Primary Strategy for Change consultations, began in January 2011, with the new school building opening after the 2012 February half term break. The Phase 2 works i.e. demolition of the old school and reinstatement of outdoor areas, is due to be completed by July 2012.
- § Work on the replacement of Maplewood School, the second priority school replacement identified in the Primary Strategy for Change, began in September 2011 and is due to be completed in August 2012, with the school opening September 2012, the beginning of the 2012 academic year.
- § Continuation of capital works to meet asset management priorities that commenced in schools during 2011/2012

#### **New Starts**

- § 2012/2013 schools capital allocations were announced by the Secretary of State for Education as part of the schools financial settlement on 13<sup>th</sup> December 2011. 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 £0.726m Devolved Formula Capital. The sum in the VA sector is £0.222m. Basic Need / Capital Maintenance funds are not ring fenced and will be used to address urgent maintenance priorities and/or additional primary school places in areas where there is pressure on school places.
- § Additional capital works to be funded from 2011/2012 grant awards that will address high priority capital maintenance needs across all schools in Sunderland and needs in those primary schools where there is pressure on places.
- § A national Private Finance Initiative (PFI) programme was announced by the Education Secretary in July 2011. This national programme is designed to re-build schools in the worst condition nationally and those in the most pressing case of Basic Need. Following extensive investigation based upon the asset management data and DfE criteria for the bids the Council submitted a bid for 5 schools to be part of the programme.
- § The full detail of the capital programme will be determined following the outcomes from the bidding exercise which is anticipated in March 2012.

**CHILDREN AND LEARNING CITY  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments					
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	
<b>MAIN BLOCK</b>								
Continuing Projects	23,375	7,805	9,988	4,764	818			
Projects Commencing 2011/2012	9,845		4,819	4,770	256			
Projects Commencing 2012/2013	5,438			4,954	242	242		
Projects Commencing 2013/2014	150				150			
Projects Commencing 2014/2015	150					150		
Projects Commencing 2015/2016	150							150
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>39,108</b>	<b>7,805</b>	<b>14,807</b>	<b>14,488</b>	<b>1,466</b>	<b>392</b>		<b>150</b>

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Supported Borrowing		5,246			
Government Grants					
- Extended Schools	1,009				
- Capital Maintenance	1,806	5,350			
- Basic Need	3,209	1,734			
- Standards Fund	409				
- Building Schools for the Future	484				
- Primary Strategy for Change	3,823				
- Devolved Formula Grant	1,763	2,258	1,316	242	
- Short Breaks Grants	100				
Governors Contribution	600				
Football Foundation	150				
Other Contributions	15				
<b>Total External Sources</b>	<b>13,368</b>	<b>14,588</b>	<b>1,316</b>	<b>242</b>	
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- Directorate Resources	170	150	150	150	150
Reserves					
- Strategic Investment Reserve	1,269	(250)			
<b>Total Internal Sources</b>	<b>1,439</b>	<b>( 100)</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>TOTAL FINANCING</b>	<b>14,807</b>	<b>14,488</b>	<b>1,466</b>	<b>392</b>	<b>150</b>

**CHILDREN AND LEARNING CITY  
CAPITAL PROGRAMME**

Project Ref. No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. To 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>MAIN BLOCK</b>								
	<b>Continuing Projects</b>								
ED96130 / 40	Capital Retentions	B Scanlon	31		31				
ED96133	Usworth School Demolitions	B Scanlon	682	632	50				
ED95289	School Closures - misc costs	J Walvin	155	130	25				
	Schools Devolved Capital 2009/2010 and 2010/2011	V Thompson	6,938	3,086	1,275	1,759	818		
ED95339	Seaburn Dene Primary - surplus place removal	V Thompson	501	424	77				
ED95340	Wessington Primary - surplus place removal	V Thompson	613	553	60				
ED95328	St Josephs RC Primary	V Thompson	6,000	1,418	3,663	919			
ED98033	Maplewood School	V Thompson	5,800	320	3,394	2,086			
ED96164	Farringdon School - upgrade of all weather pitch	D Thornton	532	237	295				
ED95367	Window replacement schemes	V Thompson	542	512	30				
ED99819	Capita One V4 Upgrade	T Skipper	185	165	20				
ED95385	Holley Park - TCF Kitchen & Dining	V Thompson	122	107	15				
ED95386	St Benets - TCF Kitchen & Dining	V Thompson	160	155	5				
ED96096	BSF LA ICT Refresh Fund	B Scanlon	484		484				
ED96172	Biddick school - upgrade of all weather pitch	J Thompson	304	6	298				
ED95390	Grangetown Primary Access Scheme	V Thompson	110	60	50				
ED98034	Barbara Priestman School - Specialist Status	C Barker	100		100				
ED95397	Thorney Close Heating	V Thompson	116		116				
<b>TOTAL CONTINUING PROJECTS</b>			<b>23,375</b>	<b>7,805</b>	<b>9,988</b>	<b>4,764</b>	<b>818</b>		
	<b>Projects Commencing 2011/12</b>								
	Schools Devolved Capital	V Thompson	770		257	257	256		
	School Asset Management Programmes - General	B Scanlon	305		305				
	Primary School Asset Management	B Scanlon	3,477		1,958	1,519			
	Secondary School Asset Management	B Scanlon	5,043		2,049	2,994			
ED99817	Software Licences	B Scanlon	150		150				
	Short Breaks Provision for Disabled Children	B Scanlon	100		100				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>9,845</b>		<b>4,819</b>	<b>4,770</b>	<b>256</b>		
	<b>Projects Commencing 2012/13</b>								
	Schools Devolved Capital	V Thompson	726			242	242	242	
	School Asset Management Programmes - General	B Scanlon	637			637			
	Primary School Asset Management	B Scanlon	1,206			1,206			
	Secondary School Asset Management	B Scanlon	2,419			2,419			
	Sunningdale School Hydrotherapy	B Scanlon	200			200			
	Derwent Hill	B Scanlon	100			100			
ED99817	Software Licences	B Scanlon	150			150			
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>5,438</b>			<b>4,954</b>	<b>242</b>	<b>242</b>	

**CHILDREN AND LEARNING CITY  
CAPITAL PROGRAMME**

Project Ref. No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. To 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
ED99817	<b>Projects Commencing 2013/14</b> Software Licences	B Scanlon	150				150		
<b>TOTAL PROJECTS COMMENCING 2013/14</b>			<b>150</b>				<b>150</b>		
ED99817	<b>Projects Commencing 2014/15</b> Software Licences	B Scanlon	150					150	
<b>TOTAL PROJECTS COMMENCING 2014/15</b>			<b>150</b>					<b>150</b>	
ED99817	<b>Projects Commencing 2015/16</b> Software Licences	B Scanlon	150						150
<b>TOTAL PROJECTS COMMENCING 2015/16</b>			<b>150</b>						<b>150</b>
<b>TOTAL CAPITAL PROGRAMME</b>			<b>39,108</b>	<b>7,805</b>	<b>14,807</b>	<b>14,488</b>	<b>1,466</b>	<b>392</b>	<b>150</b>

## 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**

- § High quality streetscape improvements, maintenance and refurbishment works to compliment the improvement of buildings in Sunniside and Market Square.

### **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 will be completed in 2012/2013 - 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 commence in 2012/2013. A development of 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 street scene infrastructure improvements.
- § Software City Phase 2 - Technology Expansion work package that will provide additional connectivity, improved service and new technology to a number of businesses around Sunderland, and potentially across the region.

#### **New Starts**

- § A contribution to partners towards above ground improvements to Sunderland Railway Station.
- § Formation of a contemporary, vibrant and flexible civic space that will provide a central hub in the city centre capable of accommodating a wide range of events and activities. Together with complementary improvements to High Street West that will deliver a comprehensive and cohesive public realm at the heart of the retail core
- § Targeted public realm works that will complement private sector developments within Sunderland City
- § 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.

**PROSPEROUS CITY  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	19,566	4,067	8,739	4,660	2,100		
Projects Commencing 2011/2012	1,509		1,221	288			
Projects Commencing 2012/2013	13,300			2,264	1,988	7,248	1,800
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>34,375</b>	<b>4,067</b>	<b>9,960</b>	<b>7,212</b>	<b>4,088</b>	<b>7,248</b>	<b>1,800</b>

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing		1,264	1,088	3,648	1,000
Government Grants					
- One North East	2,190				
- European Grants	4,354	2,498	1,050		
<b>Total External Sources</b>	<b>6,544</b>	<b>3,762</b>	<b>2,138</b>	<b>3,648</b>	<b>1,000</b>
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- General Fund	515	900	800	800	800
Reserves					
- Working Neighbourhoods Fund	1,494	2,450	1,050		
- Strategic Investment Reserve	30				
- Strategic Investment Plan	659				
- Unutilised RCCO Reserve	716				
- Sunderland Station Reserve		100	100	2,800	
Capital Receipts	2				
<b>Total Internal Sources</b>	<b>3,416</b>	<b>3,450</b>	<b>1,950</b>	<b>3,600</b>	<b>800</b>
<b>TOTAL FINANCING</b>	<b>9,960</b>	<b>7,212</b>	<b>4,088</b>	<b>7,248</b>	<b>1,800</b>



**PROSPEROUS CITY  
CAPITAL PROGRAMME**

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend. to 31.3.11	Estimated Payments				
					2011/12	2012/13	2013/14	2014/15	2015/16
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Continuing Projects</b>								
	<b>City Centre Developments and Land &amp; Property</b>								
DR91954	Ryhope Centre	C Clark	523	491	32				
DR91811	Sunniside Public Realm	C Clark	2,222	2,183	39				
CS94055	Washington Managed Workspace	J Snaith	6,000			3,900	2,100		
CS93010	Software City	J Snaith	9,742	983	7,999	760			
DR91812	Market Square	C Clark	1,040	388	652				
DR91610	Footfall Cameras	J Snaith	39	22	17				
<b>TOTAL CONTINUING PROJECTS</b>			<b>19,566</b>	<b>4,067</b>	<b>8,739</b>	<b>4,660</b>	<b>2,100</b>		
	<b>Projects Commencing 2011/12</b>								
CS93021-29	City Centre Improvements -Street Scene	G Farnworth	482		482				
CS93019	Spatial Retail Study	C Clark	120		120				
CS93020	West Area Shopping Improvements (SIP)	C Clark	30		30				
CS93010	Software City Ph2	J Snaith	288			288			
CS93012	Provision for Economic Development 2011/12	J Snaith	589		589				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>1,509</b>		<b>1,221</b>	<b>288</b>			
	<b>Projects Commencing 2012/13</b>								
	Sunderland Railway Station Contribution	C Clark	3,000			100	100	2,800	
	Magistrates Square / High Street West improvements	J Snaith	5,000			264	88	3,648	1,000
	Investment Corridor	V Taylor	2,000			1,000	1,000		
	Provision for Economic Development	J Snaith	3,300			900	800	800	800
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>13,300</b>			<b>2,264</b>	<b>1,988</b>	<b>7,248</b>	<b>1,800</b>
<b>TOTAL CAPITAL PROGRAMME</b>			<b>34,375</b>	<b>4,067</b>	<b>9,960</b>	<b>7,212</b>	<b>4,088</b>	<b>7,248</b>	<b>1,800</b>

## HEALTH AND WELLBEING CAPITAL PROGRAMME

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

The Health and Well Being 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 fulfill ambitions in the private rented sector by improving the living conditions and its management.
- § Continue the delivery of Disabled Facilities Grants.
- § Researching and sourcing funding for the development of leisure facilities and services in partnership with other service providers.

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § Provision of 47 mixed tenure extra care properties for older people due to completion of Cherry Tree Gardens extra care housing scheme in Houghton le Spring in November 2011.
- § Provision of 4 community wellbeing apartments at Cherry Tree Gardens to enable the delivery of a reablement service.
- § 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.
- § The delivery of 15 loans and 11 grants for the purpose of bringing vulnerable peoples homes up to the decent homes standard.
- § Disabled Facilities Grants forecasting completion of 665 adaptations in 2011/2012.
- § Football Pavilion improvements carried out at Ford Quarry, Silksworth Park, Ryhope Colliery Welfare and Leyburn Grove
- § Refurbishment of 18 tennis courts at Sunderland Tennis Centre with grant assistance from the Lawn Tennis Association.

### **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.

## **HEALTH AND WELLBEING CAPITAL PROGRAMME**

- § Identify opportunities within the Government's 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.
- § Procurement of sporting facilities that will meet the needs of the residents and visitors to Sunderland.

### **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 353 in 2010/2011. The type of assistance to individuals has changed from grants to loans focused support, which will help maximise available resources and allow the support to be provided to a greater number of individuals. The Home Improvement Agency has also developed agreements with Registered Social Landlord's to contribute toward the cost of Disabled Facilities Grant's and has developed a programme of recycling to help make funds go further.

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

- § Continue the Football Investment Strategy by providing facilities at Washington Northern Area Pavilion, Billy Hardy Pavilion, Plains Farm and Ryhope. The total investment being £1.5m comprising contributions from the Football Foundation, Sport England, Clubs and City Council.

#### **New Starts**

- § 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.
- § 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.
- § Provision of a new leisure centre within Washington containing an 8 court sports hall, a 25m swimming pool and learner pool, and also including Wellness, steam and sauna, and outdoor football facilities. This will replace existing leisure facilities that are contained in buildings requiring a high level of maintenance and will provide long term efficiency savings.

**HEALTH AND WELLBEING  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments					
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	
<b>MAIN BLOCK</b>								
Continuing Projects	4,229	1,743	966	1,070	450			
Projects Commencing 2011/2012	3,423		3,333	90				
Projects Commencing 2012/2013	14,380			4,730	9,625	25		
Projects Commencing 2013/2014	2,095				2,095			
Projects Commencing 2014/2015	2,117					2,117		
Projects Commencing 2015/2016	2,117							2,117
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>28,361</b>	<b>1,743</b>	<b>4,299</b>	<b>5,890</b>	<b>12,170</b>	<b>2,142</b>	<b>2,117</b>	

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing		1,700	9,600		
Government Grants					
- IT Grants	201				
- Department of Health	1,176	876	25	25	
- SHIP Grant	324				
- DCMS	18				
- Disabled Facilities Grant	1,417	1,417	1,097	1,127	1,127
- Lawn Tennis Association	167				
Football Foundation		250	200		
Sport England		200			
Coalfield Regeneration Trust		100			
Other Income	130	225	155	130	130
<b>Total External Sources</b>	<b>3,433</b>	<b>4,768</b>	<b>11,077</b>	<b>1,282</b>	<b>1,257</b>
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- General Fund	570	570	570	570	570
- Directorate Resources - HHAS	50	127	298	290	290
- Directorate Resources - City Services	50				
- Strategic Initiatives Budget	36				
Reserves					
- Strategic Investment Plan	29	425	225		
- Section 106 Reserve	50				
- Unutilised RCCO Reserves	81				
<b>Total Internal Sources</b>	<b>866</b>	<b>1122</b>	<b>1093</b>	<b>860</b>	<b>860</b>
<b>TOTAL FINANCING</b>	<b>4,299</b>	<b>5,890</b>	<b>12,170</b>	<b>2,142</b>	<b>2,117</b>

**HEALTH AND WELLBEING  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Continuing Projects</b>									
<b>Adult Services</b>									
SS94019	LD Service Resettlement Scheme	P Corner	223	208	15				
SS96029	Swift Enhancements	G King	789	696	93				
SS96030	Herrington Park Café	P Foster	115	15	100				
SS96031	Managing Income	G King	53	12	41				
SS96032	Telecare	G King	100		100				
SS96033	Adults Information System	G King	50	8	42				
SS96034	Document Management System (Road Map)	G King	75	60	15				
SS97013	Private Sector Renewal Grants	A Caddick	300	192	108				
SS97016	Warm Homes Initiative	A Caddick	191	78	113				
SS96013	Improvements to Care and Support	P Foster	219	129	90				
SS96035	Mobile Portal	G King	200	182	18				
SS97020	Regional Loans Scheme	A Caddick	142	24	118				
SS97038	Hardship Fund	A Caddick	31	25	6				
<b>Community Services</b>									
CC90157/77	Washington Leisure Centre	J Gray	171	72	99				
CC90019	Football Investment Strategy	J Gray	1,570	42	8	1,070	450		
<b>TOTAL CONTINUING PROJECTS</b>			<b>4,229</b>	<b>1,743</b>	<b>966</b>	<b>1,070</b>	<b>450</b>		
<b>Projects Commencing 2011/12</b>									
<b>Adult Services</b>									
SS96013	Improvements to Care and Support	P Foster	124		124				
SS97008	Disabled Facilities Grant 2011/2012	A Caddick	2,346		2,346				
SS97038	Sunderland Energy Efficiency Programme (SEEP)	A Caddick	29		29				
SS92014	Extra Care Schemes	P Corner	500		410	90			
SS97020	Regional Loans Scheme	A Caddick	100		100				
<b>Community Services</b>									
CC90182	Resurfacing Tennis Centre Courts	J Gray	180		180				
CC90183	Football Pavilion Improvements Ford Quarry	J Gray	17		17				
CC90184	Football Pavilion Improvements Silksworth Park	J Gray	24		24				
CC90185	Football Pavilion Improvements Ryhope Colliery Welfare	J Gray	33		33				
CC90186	Football Pavilion Improvements Leyburn Grove	J Gray	70		70				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>3,423</b>		<b>3,333</b>	<b>90</b>			
<b>Projects Commencing 2012/13</b>									
<b>Adult Services</b>									
SS96013	Improvements to Care and Support	P Foster	150			150			
SS96034	Document Management System (Road Map)	G King	75			25	25	25	
SS97008	Disabled Facilities Grants 2012/13	A Caddick	2,346			2,346			
SS97020	Regional Loans Scheme	A Caddick	100			100			
SS92014	Extra Care Schemes	P Corner	409			409			
<b>Community Services</b>									
	Washington Leisure Centre	R Odunaiya	11,300			1,700	9,600		
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>14,380</b>			<b>4,730</b>	<b>9,625</b>	<b>25</b>	

**HEALTH AND WELLBEING  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Projects Commencing 2013/14</b>								
	<b>Adult Services</b>								
SS96013	Improvements to Care and Support	P Foster	185				185		
SS97008	Disabled Facilities Grants 2013/14	A Caddick	1,910				1,910		
<b>TOTAL PROJECTS COMMENCING 2013/14</b>			<b>2,095</b>				<b>2,095</b>		
	<b>Projects Commencing 2014/15</b>								
	<b>Adult Services</b>								
SS96013	Improvements to Care and Support	P Foster	185					185	
SS97008	Disabled Facilities Grants 2014/15	A Caddick	1,932					1,932	
<b>TOTAL PROJECTS COMMENCING 2014/15</b>			<b>2,117</b>					<b>2,117</b>	
	<b>Projects Commencing 2015/16</b>								
	<b>Adult Services</b>								
SS96013	Improvements to Care and Support	P Foster	185						185
SS97008	Disabled Facilities Grants 2015/16	A Caddick	1,932						1,932
<b>TOTAL PROJECTS COMMENCING 2015/16</b>			<b>2,117</b>						<b>2,117</b>
<b>TOTAL CAPITAL PROGRAMME</b>			<b>28,361</b>	<b>1,743</b>	<b>4,299</b>	<b>5,890</b>	<b>12,170</b>	<b>2,142</b>	<b>2,117</b>

## **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**

- § Restoration of Memorial Fountain in Roker Park.
- § Completion of a programme of visitor improvements to support the Wearmouth-Jarrow bid for World Heritage Site status.
- § Installation of the CCTV cameras in various locations throughout the City has resulted in a range of positive outcomes including protection of buildings, reducing city centre disorder, protection of park facilities and deterring fly tipping

### **KEY MEDIUM TERM PRIORITIES**

- § To work with all partners to reduce the incidence and perception of crime
- § To promote cultural initiatives and events throughout the city and increase tourism

### **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 – restore the grade II listed Hendon Orphanage building to create a scheme to provide specialist dementia accommodation including development of the site to the rear.
- § Public Realm works on the World Heritage Status site for St Peter's Church to deliver the landscape vision that supports the nomination document.

#### **New Starts**

- § Support towards a continued festival and events programme within the City

**SAFER CITY AND CULTURE  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	2,415	1,019	196	1,200			
Projects Commencing 2011/2012	1,735		115	860	760		
Projects Commencing 2012/2013	500			250	250		
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,650</b>	<b>1,019</b>	<b>311</b>	<b>2,310</b>	<b>1,010</b>		

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing		747	760		
Government Grants					
- Communities and Local Government	33				
Heritage Lottery	44	600			
<b>Total External Sources</b>	<b>77</b>	<b>1,347</b>	<b>760</b>		
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- General Fund		250	250		
Reserves					
- Strategic Investment Plan	59	41			
- Unutilised RCCO Reserve	115	72			
Capital Receipts	60	600			
<b>Total Internal Sources</b>	<b>234</b>	<b>963</b>	<b>250</b>		
<b>TOTAL FINANCING</b>	<b>311</b>	<b>2,310</b>	<b>1,010</b>		



**SAFER CITY AND CULTURE  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Continuing Projects</b>								
	<b>City Centre Developments and Land &amp; Property</b>								
DR92335	Rapid deployment of CCTV across the City	C Clark	399	359	40				
DR91752	Old Sunderland Townscape Heritage Initiative	C Clark	1,827	538	89	1,200			
DR91980	Seafront Regeneration Strategy	C Clark	60	45	15				
CS97010	Restore Memorial Fountain - Roker Park	C Clark	20	1	19				
CS97501	Safer Stronger Communities Fund projects	S.Douglass	109	76	33				
<b>TOTAL CONTINUING PROJECTS</b>			<b>2,415</b>	<b>1,019</b>	<b>196</b>	<b>1,200</b>			
	<b>Projects Commencing 2011/12</b>								
	<b>Culture and Tourism</b>								
CC90190	World Heritage Site Public Realm - Wearmouth Jarrow	C Clark	1,700		80	860	760		
CC90195	Bowes Railway Museum Wagonshop Repairs	C Alexander	35		35				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>1,735</b>		<b>115</b>	<b>860</b>	<b>760</b>		
	<b>Projects Commencing 2012/13</b>								
	<b>Culture and Tourism</b>								
	Festivals and Events	R Odunaiya	500			250	250		
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>500</b>			<b>250</b>	<b>250</b>		
<b>TOTAL CAPITAL PROGRAMME</b>			<b>4,650</b>	<b>1,019</b>	<b>311</b>	<b>2,310</b>	<b>1,010</b>		

## **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.
- § Researching and sourcing funding for the development of facilities and services in partnership with other service providers.
- § Managing, reviewing and upgrading existing play facilities in accordance with the Play and Urban Games Strategy that support the aims of the Council's Improvement Priorities.

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § Design and implementation of Local Safety Schemes including 20 mph zone at Silksworth, traffic calming at Allendale Road, new traffic signals at Blackwood Rd/Washington Rd, improved pedestrian crossing facilities at Park Lane/Vine Place, improved traffic management on the A690 Houghton Cut.
- § Implementation of a Parking Management Scheme from 1<sup>st</sup> December 2011 within the vicinity of the Royal Hospital to alleviate congestion and improved access for residents and visitors.
- § Contribution to junction improvement work on the A19 at A1231 undertaken by the Highways Agency
- § Road Safety Measures in Washington.
- § Improvement and development of cycling routes including Newport Cutting Infill.
- § Highway Maintenance schemes including Richmond Avenue Washington, Meadow Drive/East & West Grove. South Hylton, Roker Park Road and the B1284 North Road Rainton Bridge.
- § Major Refurbishment of Barnes Park with funding from the Heritage Lottery Fund.
- § 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.
- § New street furniture and landscaping works at Seaburn have improved the built environment and the visual amenity of the area making Seaburn a more attractive place to visit. New seating has improved the user experience by increasing comfort. Overall the public realm improvements have enhanced one of the city's key assets and improved visitor perceptions of the city as a whole.
- § Completion of Phase 1 of seafront development works at Marine Walk and Seaburn.

Outcomes from the Tyne & Wear Local Transport Plan 2006-11 (LTP 2) include the following:-

- § Contributing towards meeting Local Transport Plan casualty reduction targets. These targets were set out by the Department for Transport in 2001 as national targets, and cover the period up to the end of 2010.
- § The table below shows the targets, along with the figures reported for Sunderland against each target. For each accident classification shown in the table, the reported % reduction in casualties for Sunderland to 2010 has exceeded the target set by the Department for Transport.

**ATTRACTIVE AND INCLUSIVE CITY  
CAPITAL PROGRAMME**

**Sunderland City Council – 2010 Casualty Reduction Targets and Reported Casualty Figures**

Casualty Classification	Target for Accident Reduction (% change)	Baseline (Av for period 1994-98) (number)	2010 Reported Casualty Figures Sunderland (number)	Reported Change in Casualty Figures (% reduction )	Reported Change to 2010 compared to Target (%)
All Killed or Seriously Injured Casualties	40%	163	90	45%	+ 5%
Child (Under 16) Killed or Seriously Injured Casualties	50%	46	22	52%	+2%
Slight Casualties	10%	1192	844	29%	+19%

[Note that in relation to the above table, the Department for Transport set the period 1994 -1998 as the “Baseline Average”.]

- § Increased use of public transport (between 2008/2009 and 2009/2010), and increased cycling.
- § Reduced peak period traffic flows (between 2008/2009 and 2009/2010) which are likely to reduce adverse environmental impacts associated with traffic.
- § Supplementing the regeneration of the City by means of securing external funding for the New Wear Crossing, securing external funding for new infrastructure associated with development proposals, and in addition by the maintenance of existing 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 reducing social exclusion. The transport corridor will extend from West Wear Street at the south side of the Wearmouth Bridge to the A19/A1231 including a new Wear Bridge crossing.
- § Secure funding from the Local Sustainable Transport Fund to support economic growth and reduce carbon emissions, delivering cleaner environments and improved air quality, enhanced safety and reduced congestion.
- § 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.
- § Secure external funding from developers to enable the Implementation of the Play and Urban Games Strategy.

**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 5 year period 2007/2008 to 2011/2012 along with the revenue maintenance budget 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 90% in 2009/2010 (87% in 2008/2009). Public Liability Insurance premiums have reduced from £1.1million in 2006/2007 to an estimated sum of £0.4 million in 2011/2012, 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**

- § Commence the construction of the first phase of the Sunderland Strategic Transport Corridor (New Wear Bridge) following programme entry approval from the Department for Transport on 14<sup>th</sup> December 2011.
- § Complete the structural maintenance of Penshaw Bridge.
- § Undertake the first phase of the Play and Urban Games Strategy: South Hylton Environmental Project.

## ATTRACTIVE AND INCLUSIVE CITY CAPITAL PROGRAMME

### **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 funding to accelerate completion of priority highways needs
- § A programme of capital maintenance to riverside structures to prevent deterioration to supporting footpaths and other structures
- § Coast protection works beginning in 2013/2014 at South Bents to Seaburn that will provide a rear flood protection wall to the promenade, affording protection to the A183 highway and adjacent residential and business properties
- § Coast protection works beginning in 2013/2014 to prevent coastal erosion and flooding that may adversely impact on business at the Port of Sunderland
- § Delivery of a rolling programme of refurbishment works at Roker Pier and Lighthouse that will maintain the fabric of the grade II listed pier and complement recent improvements to the promenade.
- § Delivery of the Seafront Regeneration Strategy by continuation of physical improvements to the Sea Front with the aim of generating and supporting private sector investment in line with the approved Seaburn and Marine Walk Masterplans.

**ATTRACTIVE AND INCLUSIVE CITY  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	179,228	62,850	7,612	5,000	35,282	46,335	22,149
Projects Commencing 2011/2012	4,837		4,305	532			
Projects Commencing 2012/2013	16,203			5,858	4,260	5,085	1,000
Projects Commencing 2013/2014	3,338				3,338		
Projects Commencing 2014/2015	3,144					3,144	
Projects Commencing 2015/2016	3,144						3,144
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>209,894</b>	<b>62,850</b>	<b>11,917</b>	<b>11,390</b>	<b>42,880</b>	<b>54,564</b>	<b>26,293</b>

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Loans					
- Unsupported Capital Expenditure	2,630	4,311	9,023	10,611	3,026
Government Grants					
- LTP Transport Grant	5,004	5,817	5,018	5,779	5,644
- LTP Transport Grant – S31			28,073	36,867	17,623
- Coast Protection	220		766	1,307	
- CABE Sea Change	707				
- HAMP Grant	20				
NEXUS	320	188			
Other Contributions	63				
<b>Total External Sources</b>	<b>8,964</b>	<b>10,316</b>	<b>42,880</b>	<b>54,564</b>	<b>26,293</b>
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- General Fund		600			
- Directorate Resources	40				
- Strategic Initiatives Budget	300	56			
Reserves					
- Strategic Investment Reserve	(104)				
- Strategic Investment Plan	867				
- Capital Reserve	21	99			
- Section 106 Reserve		269			
- Unutilised RCCO Reserve	1,701	50			
Capital Receipts	128				
<b>Total Internal Sources</b>	<b>2,953</b>	<b>1,074</b>			
<b>TOTAL FINANCING</b>	<b>11,917</b>	<b>11,390</b>	<b>42,880</b>	<b>54,564</b>	<b>26,293</b>

**ATTRACTIVE AND INCLUSIVE CITY  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Continuing Projects</b>								
	<b>Major Highway Schemes</b>								
DR90001	Southern Radial Route	S Pickering	40,861	39,863	998				
DR90003	Central Route - Scheme	S Pickering	2,215	1,385	390	440			
DR90005	Development & Land Costs SSTC Ph2 (New Wear Bridge)	S Pickering	117,642	8,347	1,718	3,811	35,282	46,335	22,149
	<b>Local Transport Plan</b>								
DR99016/ DR91223	Highways Agency A19 Junction Improvements schemes	L Clark	3,101	2,926	175				
DR90300	Bridge Maintenance Inspections and Assessments	L Clark	180	153	27				
CC95601	Penshaw Bridge	L Clark	745	54	91	600			
CC95602	A195 Lambton Interchange	L Clark	243	128	115				
DR90501	Climate Change - Cycleways	L Clark	150	68	82				
DR91350	Climate Change - Electric Vehicle Charging Points	L Clark	163	90	73				
DR91075	Public Transport Schemes	L Clark	286	102	184				
	<b>SIB/SIP Schemes</b>								
Various	Local Safety Schemes	L Clark	199	54	145				
DR90947/902	Washington Road Safety Measures	L Clark	541	412	129				
	<b>Street Scene</b>								
DR91966	Private Streetworks	L Clark	65	15		50			
DR91408	Ryhope Beach Access	L Clark	325	168	157				
DR91769	Central Car Park Demolition	L Clark	2,730	1,899	831				
DR91977	Subway Improvement Review	L Clark	90	13	77				
CC90160	Replacement Recycling Scheme	L Clark	2,700	2,630	70				
CC90145	Recycling Bring Sites	L Clark	293	28	265				
CC90037	Sunderland Crematorium	L Clark	750	284	466				
	<b>Coast Protection</b>								
DR91409	Coastal Strategy Review Ph2	L Clark	50	21	29				
CC96701	Deptford Culvert Flood Risk Assessment	L Clark	100		100				
CC96702	Hendon Burn Culvert Safety Works	L Clark	80	10	70				
CC96703	Hydrographic Survey	L Clark	25	4	21				
	<b>Community Services</b>								
CC90112-141	Play Pathfinder	J Gray	3,770	3,707	63				
CC90180	Blackfell Play Area (SIP)	J Gray	31	26	5				
CC90181	Oxclose Play Area (SIB/SIP)	J Gray	45		45				
	<b>Seafront Development</b>								
DR91981-3	Seafront - Marine Walk Masterplan Ph1	C Clark	1,500	293	1,207				
CS97001	Seafront - Seaburn Public Realm Improvements	C Clark	207	168	39				
CC90173	Seafront - Toilets refurbishment	C Clark	141	2	40	99			
<b>TOTAL CONTINUING PROJECTS</b>			<b>179,228</b>	<b>62,850</b>	<b>7,612</b>	<b>5,000</b>	<b>35,282</b>	<b>46,335</b>	<b>22,149</b>

**ATTRACTIVE AND INCLUSIVE CITY  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Projects Commencing 2011/12</b>									
<b>Local Transport Plan</b>									
DR90200	Highway Maintenance	L Clark	1,020		1,020				
DR90500	Economic Development and Regeneration	L Clark	434		434				
DR90501	Climate Change - Cycleways	L Clark	115		115				
DR90900	Safe and Sustainable Communities	L Clark	1,058		901	157			
DR91102	Public Transport Schemes	L Clark	136		136				
DR90200	Structural Highways Maintenance	L Clark	300		300				
DR90200	Pot Hole Repairs	L Clark	614		614				
CC95001	Preliminary design works	L Clark	100		50	50			
<b>Street Scene</b>									
CC90089/90	Parks Vehicles	L Clark	562		562				
<b>Seafront Development</b>									
CC90194	Pier Capital Maintenance	C Clark	98		98				
<b>Community Services</b>									
Play and Urban Games Strategy :									
CC90126	Sth Hylton Environmental Project	J Gray	200		75	125			
CC90191	Hylton Castle play upgrade	J Gray	100			100			
CC90192	Kirklee Field	J Gray	100			100			
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>4,837</b>		<b>4,305</b>	<b>532</b>			
<b>Projects Commencing 2012/13</b>									
<b>Local Transport Plan</b>									
DR90200	Highway Maintenance	L Clark	1,190			1,190			
DR90300	Bridge Maintenance	L Clark	380			380			
DR90500	Economic Development and Regeneration	L Clark	770			770			
DR90450	Climate Change	L Clark	435			120	180	135	
DR90900	Safe and Sustainable Communities	L Clark	1,160			1,160			
DR91102	Public Transport Schemes	L Clark	188			188			
	Additional Transport priorities	L Clark	4,000			1,000	1,000	1,000	1,000
	Riverside Repairs	L Clark	200			100	100		
<b>Coast Protection</b>									
	South Bents to Seaburn	L Clark	800				800		
	Port	L Clark	4,230				1,230	3,000	
<b>Seafront Development</b>									
	Roker Pier and Lighthouse	C Clark	1,350			450	450	450	
	Sea Front Regeneration	C Clark	1,500			500	500	500	
<b>TOTAL PROJECTS COMMENCING 2012/13</b>			<b>16,203</b>			<b>5,858</b>	<b>4,260</b>	<b>5,085</b>	<b>1,000</b>

**ATTRACTIVE AND INCLUSIVE CITY  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Projects Commencing 2013/14 Local Transport Plan</b>									
DR90020	Highway Maintenance	L Clark	1,200				1,200		
DR90300	Bridge Maintenance	L Clark	500				500		
DR90500	Economic Development and Regeneration	L Clark	863				863		
DR90450	Climate Change - Cycleways	L Clark	50				50		
DR90900	Safe and Sustainable Communities	L Clark	725				725		
<b>TOTAL PROJECTS COMMENCING 2013/14</b>			<b>3,338</b>				<b>3,338</b>		
<b>Projects Commencing 2014/15 Local Transport Plan</b>									
DR90020	Highway Maintenance	L Clark	1,200					1,200	
DR90300	Bridge Maintenance	L Clark	350					350	
DR90500	Economic Development and Regeneration	L Clark	774					774	
DR90450	Climate Change - Cycleways	L Clark	50					50	
DR90900	Safe and Sustainable Communities	L Clark	770					770	
<b>TOTAL PROJECTS COMMENCING 2014/15</b>			<b>3,144</b>					<b>3,144</b>	
<b>Projects Commencing 2015/16 Local Transport Plan</b>									
DR90020	Highway Maintenance	L Clark	1,200						1,200
DR90300	Bridge Maintenance	L Clark	350						350
DR90500	Economic Development and Regeneration	L Clark	774						774
DR90450	Climate Change - Cycleways	L Clark	50						50
DR90900	Safe and Sustainable Communities	L Clark	770						770
<b>TOTAL PROJECTS COMMENCING 2015/16</b>			<b>3,144</b>						<b>3,144</b>
<b>TOTAL CAPITAL PROGRAMME</b>			<b>209,894</b>	<b>62,850</b>	<b>11,917</b>	<b>11,390</b>	<b>42,880</b>	<b>54,564</b>	<b>26,293</b>



## **SUSTAINABLE COMMUNITIES CAPITAL PROGRAMME**

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

Sustainable Communities 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 have been used to inform housing renewal, regeneration and planning for the city. Work will commence next year on commissioning a new stock condition survey with the intention of reporting the findings in 2012. The results of the survey will assist in the Council making informed decisions for future priorities.
- § 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 neighbourhood through an increase in housing choice with the development of 79 new housing units in Phase 1 in Castletown which were completed in 2011. The second phase of 65 new housing units in Castletown will start in April 2012. There have been 166 acquisitions of homes at Hetton Downs through SHIP and Homes and Communities Agency (HCA) funding plus 118 in Castletown. These have contributed to assign sites for new housing. Additionally, 87 properties have been improved through a SHIP block improvement scheme in Castletown.
- § Improving energy management of buildings – by replacing obsolete heating control systems in Council buildings and achieving energy savings.
- § Received delivery of two Nissan Leaf Electric Vehicles which replaced pool 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.
- § Solar PV Panels – installation of solar panels at Biddick, St.Robert's and Washington Schools contributing to both cost savings and carbon reduction targets

### **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 through the delivery of the Enabling Independence Strategy, which will help to enable delivery of Extra Care housing, in partnership with both the Homes and Communities Agency and Providers.
- § Improving the quality and choice of affordable accommodation, with emphasis being placed upon Council Renewal Areas.
- § Continue to improve the housing stock in terms of decency and fitness for habitation in the private housing sector particularly targeting standards in the private rented sector. .
- § Encourage more private landlords to become accredited and raise housing conditions and standards in the private sector.

## **SUSTAINABLE COMMUNITIES CAPITAL PROGRAMME**

- § Bring empty properties back into use.

### **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.
- § Identify areas of low housing demand and develop action plans to assist in reversing trends.
- § Continue to encourage and develop investment opportunities in the housing market.

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

- § Area Renewal continues with the acquisition of properties at Maudlin Street, Hetton Downs.
- § Bringing back into use empty properties by utilising the New Homes Bonus awarded to the council.
- § A travellers transit site will assist in dealing with unauthorised encampments more efficiently and effectively. The provision will ensure that statutory regulations are met.

**SUSTAINABLE COMMUNITIES  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	12,602	6,783	2,331	1,100	2,388		
Projects Commencing 2011/2012	2,464	64	1,800	600			
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>15,066</b>	<b>6,847</b>	<b>4,131</b>	<b>1,700</b>	<b>2,388</b>		

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Government Grants					
- SHIP	346	100	94		
- New Homes Bonus	77	500			
- Department of Health	40				
- Homes and Communities Agency	2,716	1,000	2,294		
- Department for Education	300				
- Other Contributions	30				
<b>Total External Sources</b>	<b>3,509</b>	<b>1,600</b>	<b>2,388</b>		
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
- Directorate Resources	65				
Reserves					
- Strategic Investment Plan	507				
- Salix Fund	50				
Capital Receipts		100			
<b>Total Internal Sources</b>	<b>622</b>	<b>100</b>			
<b>TOTAL FINANCING</b>	<b>4,131</b>	<b>1,700</b>	<b>2,388</b>		

**SUSTAINABLE COMMUNITIES  
CAPITAL PROGRAMME**

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Continuing Projects</b>								
	<b>Housing Services</b>								
	<b>Market Rejuvenation</b>								
SS97004	Eppleton (SHIP)	A Caddick	1,070	768	108	100	94		
SS97031	Hetton Downs (HCA)	A Caddick	8,038	2,894	1,850	1,000	2,294		
SS97036	Castletown Block Improvements	A Caddick	611	297	314				
	<b>Decent Homes</b>								
SS97003	Homelessness & Advice Service - Set Up costs	A Caddick	261	242	19				
SS97026	Extra Care Housing : Racecourse	P Corner	2,622	2,582	40				
<b>TOTAL CONTINUING PROJECTS</b>			<b>12,602</b>	<b>6,783</b>	<b>2,331</b>	<b>1,100</b>	<b>2,388</b>		
	<b>Projects Commencing 2011/12</b>								
	<b>Housing Services</b>								
	<b>Decent Homes</b>								
SS97040	Centrepoint Sunderland	A Caddick	866		866				
SS97035	Travellers Site	A Caddick	100			100			
SS97041	Empty Property Action Plan	A Caddick	577		77	500			
	<b>Sustainability (Strategic Investment Plan)</b>								
DR91552	Solar PV Panels	C Clark	722	64	658				
CC96601	Electric Vehicles	L Clark	49		49				
DR91554	Improving Energy Management of Buildings	C Clark	150		150				
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>2,464</b>	<b>64</b>	<b>1,800</b>	<b>600</b>			
<b>TOTAL CAPITAL PROGRAMME</b>			<b>15,066</b>	<b>6,847</b>	<b>4,131</b>	<b>1,700</b>	<b>2,388</b>		

## **RESPONSIVE SERVICES AND CUSTOMER CARE CAPITAL PROGRAMME**

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

The Responsive 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.

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

- § 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.

### **KEY MEDIUM TERM PRIORITIES**

- § Implementation of the Customer Service and Access Strategy action plan key principles

### **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**

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

**RESPONSIVE SERVICES AND CUSTOMER CARE  
CAPITAL PROGRAMME**

**SUMMARY**

Project Description	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
			2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>MAIN BLOCK</b>							
Continuing Projects	5,218	2,474	2,744				
Projects Commencing 2011/2012	300		230	70			
Projects Commencing 2012/2013							
Projects Commencing 2013/2014							
Projects Commencing 2014/2015							
Projects Commencing 2015/2016							
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>5,518</b>	<b>2,474</b>	<b>2,974</b>	<b>70</b>			

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

Source of Finance	Estimated Resources				
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>FROM EXTERNAL SOURCES</b>					
Unsupported Borrowing	400				
<b>Total External Sources</b>	<b>400</b>				
<b>FROM INTERNAL SOURCES</b>					
Reserves					
- Strategic Investment Reserve	205				
- Business Transformation Reserves	230	70			
- Unutilised RCCO Reserve	1,539				
Capital Receipts	600				
<b>Total Internal Sources</b>	<b>2,574</b>	<b>70</b>			
<b>TOTAL FINANCING</b>	<b>2,974</b>	<b>70</b>			

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend. to 31.3.11 £'000	Estimated Payments				
					2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
	<b>Continuing Projects</b>								
	<b>Strategic Change Management - People First</b>								
CS95101	Ryhope Customer Service Centre	M Poulter	2,365	2,360	5				
CC90170	IT for Customer Service Centres	L St Louis	85	50	35				
CC90175	City Centre - Customer Service Centre	L St Louis	368	53	315				
CC90174	Houghton Primary Care Centre	M Poulter	2,400	11	2,389				
<b>TOTAL CONTINUING PROJECTS</b>			<b>5,218</b>	<b>2,474</b>	<b>2,744</b>				
	<b>Projects Commencing 2011/12</b>								
	<b>Strategic Change Management - People First</b>								
CC90187	Customer Service Network Platform	L St Louis	300		230	70			
<b>TOTAL PROJECTS COMMENCING 2011/12</b>			<b>300</b>		<b>230</b>	<b>70</b>			
<b>TOTAL CAPITAL PROGRAMME</b>			<b>5,518</b>	<b>2,474</b>	<b>2,974</b>	<b>70</b>			

## Appendix 3

### Prudential and Treasury Indicators 2012/2013 to 2014/2015

It should be noted that all of the prudential indicators continue to fully reflect the requirements of International Financial Reporting Standards (IFRS) which were introduced from 1<sup>st</sup> 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 2010/2011 was £86.845 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>Estimated Capital Expenditure</b>	63,200	60,251	93,922	74,247

An estimate has been made of future spend on the basis of indicative grants approved for 2012/2013 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 2010/2011 are:

<b>Ratio of financing costs to net revenue stream</b>				
2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Actual	Estimate	Estimate	Estimate	Estimate
6.23%	7.37%	8.48%	9.83%	10.44%

The estimates of financing costs include current commitments and the proposals in the revenue budget and capital programme reports. The forecasts provide an indication of the impact of the capital investment plans on the Council's overall finances. They show an increase in anticipated ratios of financing costs to net revenue stream in future years as a result of forecast reductions in future years Formula Grant allocations but also additional prudential borrowing proposed in the capital programme for strategic priorities.

The indicators also show an increase reflecting the fact that significant amounts of expenditure are planned to be financed from earmarked reserves which will lead to investment levels reducing over time and also due to low interest rates forecast into the medium term.

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 2011 are:

<b>Capital Financing Requirement</b>				
<b>31/03/11</b>	<b>31/03/12</b>	<b>31/03/13</b>	<b>31/03/14</b>	<b>31/03/15</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
243,997	241,119	290,880	338,428	360,707

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

Following accounting changes the Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases) brought onto the balance sheet. Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £35.432 million of such schemes included in its Capital Financing requirement at 31<sup>st</sup> March 2011.

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

The Authority had no difficulty meeting this requirement in 2010/2011, 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 2012/2013.

The Council's net borrowing at 31<sup>st</sup> March 2011 was £21.505 million and as noted in Prudential Indicator P7 the Council's actual external borrowing was £208.941 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.

	<b>Authorised Limit for External Debt</b>			
	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	331,539	342,396	346,799	365,644
Other long term liabilities	50,860	34,928	33,394	32,830
<b>Total</b>	<b>382,399</b>	<b>377,324</b>	<b>380,193</b>	<b>398,474</b>

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 2012/2013, the Council is asked to note that the authorised limit determined for 2012/2013, (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.

	<b>Operational Boundary for External Debt</b>			
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	261,603	304,083	307,760	324,698
Other long term liabilities	50,860	34,928	33,394	32,830
<b>Total</b>	<b>312,463</b>	<b>339,011</b>	<b>341,154</b>	<b>357,528</b>

- P7 The Council's actual external debt at 31<sup>st</sup> March 2011 was £244.373 million and was made up of actual borrowing of £208.941 million and actual other long term liabilities of £35.432 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:

<b><u>For Band D Council Tax</u></b>		
<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
£5.18	£22.70	£38.19

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

These forward estimates 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 £39.66 in 2015/2016. There are no known significant variations beyond the above timeframe that would result from past events and decisions or the proposals in the budget report.

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

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

- (a) capital expenditure plans are affordable;
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

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

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

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

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

- (e) local strategic planning;

- (f) local asset management planning;

- (g) proper option appraisal.

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

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

- P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £130 million in 2012/2013, £190 million in 2013/2014 and £200 million in 2014/2015.
- P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £60 million in 2012/2013, £50 million in 2013/2014 and £60 million in 2014/2015.
- P12 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

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

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

P13 A maximum maturity limit of £75 million is set for each financial year (2012/2013, 2013/2014 and 2014/2015) for long term investments, (those over 364 days), made by the authority. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. Type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 6).

At present the Council has £0.817 million of long-term investments. This is £0.797 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 £19,541 in government securities, other shares and unit trusts.

### Minimum Revenue Provision Policy Statement 2012/2013

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.

- 1.1 Provision for the repayment of debt is considered to be prudent where the period of repayment is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Local Government Formula Grant, reasonably commensurate with the period implicit in the determination of that grant. The major proportion of the MRP for 2012/13 will relate to the supported historic debt liability.
- 1.2 The four options for calculating MRP which were set out in the guidance can be summarised as follows:
  - Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008.
  - Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%.
  - Option 3 – Asset Life Method: amortising expenditure over an estimated useful life for the relevant assets created. An assessment must be made of the asset life at the outset of the capital scheme and MRP is charged to revenue in either equal annual instalments or by an annuity method over the estimated life of the asset. The MRP charge will commence in the financial year following the one in which the asset comes into service.
  - Option 4 – Depreciation Method: making charges to revenue in accordance with the standard rules for depreciation accounting for the particular asset being created or enhanced.
- 1.3 Estimated life periods will be determined under delegated powers. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, such as IT infrastructure, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives. The Council also reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- 1.4 For 2012/2013, 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.

## Appendix 4

This is a continuation of the method currently used by the Council (using regulations 28 and 29 of the Capital Finance Regulations and the Local Government Act 2003) where MRP is calculated with regard to the 'credit ceiling' of the authority. This takes into account all loan advances and repayments through the Council's consolidated advances and borrowing pool with MRP being calculated at 4% of the opening 'credit ceiling' balance.

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

- 1.5 Neither of the two options recommended for future borrowing, for which no government support is being given and is therefore self-financed (options 3 and 4), reflect existing Council policy to accelerate debt repayments on unsupported borrowing through an increased voluntary MRP. The depreciation method for calculating MRP is also subject to volatility when asset lives are reassessed as part of the revaluation process.
- 1.6 The Council currently follows the criteria set out below for all unsupported borrowing and provides an increased voluntary MRP:
- In the case of invest to save schemes MRP is based on the payback period for any borrowing taken out (this requirement is relaxed where unsupported borrowing is taken out on behalf of trading services and areas which are subject to market pressures to ensure that these services would not be put at an unfair disadvantage in comparison to any potential competitors);
  - In cases where a full option appraisal shows borrowing to offer better value for money than leasing, MRP is based on the payment period that would have arisen had a lease been taken out instead of a loan;
  - In the case of any form of grants or deposits made for capital purposes that have been given in earlier years and any new grants or deposits that may be made for which borrowing is taken out. MRP is based on the actual principal repayment schedule relating to the grant or deposit provided. This option is used for spend such as existing loans provided to Wearside College, mortgages provided in earlier years to householders under Right to Buy regulations, and capital spend in relation to loans, deposits and other grants made to support economic regeneration:

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

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



## Appendix 4

- 1.8 For the purposes of the proposed regulations Option 3 is recommended for self-financed borrowing as this method is subject to less potential variation than Option 4. It is also recommended to continue existing practice for making MRP repayments using the criteria detailed in 6.6 above.
- 1.9 In addition, revised accounting guidelines to comply with IFRS were introduced for the financial year 2010/2011. The new standards had the effect of reclassifying operational leases, finance leases and PFI contracts and required these assets to be brought onto the Council's balance sheet. MRP policy used by the Council will ensure that there will be no impact on council taxpayers from revisions to accounting standards and that the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets i.e. the annual MRP charge will be an amount equal to the amount that has been taken to the balance sheet to reduce the liability for that asset.
- 1.10 In summary, it is recommended that the Council approves the following Minimum Revenue Provision Statement 2012/2013:
  - a) For all government supported borrowing the Council will adopt Option 1 as set out in the government guidance which is a continuation of the basis upon which the Council currently calculates MRP.
  - b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the equal instalment method with the estimated useful life of an asset being assessed by the Executive Director of Commercial and Corporate Services in consultation with appropriate officers.
  - c) For MRP payments in relation to finance leases and PFI contracts, the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets.
  - d) The Council will vary MRP payments to that indicated by the adoption of Option 3, with reference to the Council's framework detailed in 6.7 above. Any requirement to make additional voluntary MRP payments may be relaxed by the Executive Director of Commercial and Corporate Services where appropriate, in particular for any unsupported borrowing taken out on behalf of trading services, which are subject to market pressures.

### Treasury Management Policy Statement

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

- The Council defines its treasury management activities as: “The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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

The basis of the agreed Borrowing Strategy is to:

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

The general policy objective for the Council in considering potential investments is the prudent investment of its treasury balances.

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

## **Appendix 4**

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

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

## Treasury Management Strategy Statement for 2012/2013

### 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 2012/2013 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 2012/2013 to 2014/2015
- the past and current treasury management position
- the borrowing requirement 2012/2013
- prudential and treasury management Indicators for 2012/13 to 2014/15
- 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 2012/13 to 2014/15

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.

## Appendix 6

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

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

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

### 2.2 Treasury Management Position

#### 2.2.1 Interest Rates 2011/2012

PWLB Interest rates gradually fell during the first half of 2011/2012 and were at their lowest level in early October 2011. Rates have increased slightly since but have generally remained fairly static with only small variations.

The interest rates offered by the PWLB to local authorities with a Housing Revenue Account, will be temporarily reduced in March 2012. The reduced rate will only apply to borrowing to allow local authorities to leave the existing subsidy system for council housing finance to allow them to be 'self financing'. As the Council does not have any housing stock it is unaffected by the changes in PWLB interest rates.

Loan Type	31 <sup>st</sup> March 2011 %	31 <sup>st</sup> December 2011 %	Difference %
7 Day Notice	0.40	0.30	0.10
1 Month	0.50	0.63	0.15
PWLB – 1 Year	1.89	1.19	0.70
5 Years	3.61	1.97	1.64
10 Years	4.75	3.03	1.72
25 Years	5.35	3.99	1.36
50 Years	5.29	4.05	1.24

## Appendix 6

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

### 2.2.2 Long Term Borrowing 2011/2012

The Treasury Management Policy and Strategy Statement for 2011/2012 included a benchmark rate of 5.5% for all long-term borrowing.

The Council's strategy for 2011/2012 is to adopt a pragmatic approach and to respond to any changing circumstances to seek to secure benefit for the Council.

So far in 2011/2012 the Council has taken out one new loan, detailed in the table below. No debt rescheduling has been undertaken as rates have not been considered sufficiently favourable. The new borrowing, at a historic low rate of interest for 50 year loans since the Coalition Government increased rates in October 2010, will support borrowing requirements within the Council's capital programme. The loan, at 3.99%, was 1.51% below the 5.50% target set for long term borrowing and represents a lower cost of borrowing to the council going forward. Any loan of this duration especially below the 4% level is regarded as an opportune time to acquire longer term debt as levels historically are rarely seen below this rate.

Date	Lender	Amount £m	Period (Years)	Rate %	Benchmark Rate %	Margin %
20/01/2012	PWLB	10.0	50	3.99	5.50	(1.51)
<b>Total</b>		<b>10.0</b>				

The Council also has nine market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the LOBO's that were subject to a potential rollover this financial year but have not been replaced as the option was not exercised.

<u>Roll Over Dates</u>	Lender	Amount £m	Rate %	Roll Over Periods
21/04/2011 and 21/10/2011	Barclays	5.0	4.50	Every 6 months
10/12/2011	Barclays	9.5	4.37	every 3 years
27/01/2012	Dexia	5.0	4.32	every 3 years
<b>Total</b>		<b>19.5</b>		

### 2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31<sup>st</sup> December 2011 comprised:

## Appendix 6

		Principal (£m)	Total (£m)	Average Rate (%)
<b>Borrowing</b>				
Fixed Rate Funding	PWLB	138.0		
	Market (LOBO's)	24.5		
	Other	0.3	162.8	3.83
Variable Rate Funding	PWLB	0.0		
	Market (LOBO's)	15.0		
	Temporary/ Other	30.0	45.0	1.98
	<b>Total Borrowing</b>		<b>207.8</b>	<b>3.42</b>
<b>Total Investments</b>	In House		<b>195.0</b>	<b>1.63</b>
<b>Net Position</b>			<b>(12.8)</b>	

The Council currently has a difference between gross debt and net debt of £12.777 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. This could impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council will increase.

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

Benefits of having a high level of investments are;

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

Risks associated with holding a high level of investments are;

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

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

### 2.3 Borrowing Requirement 2012/2013

The Council's borrowing requirement is as follows:

	2012/13 £m	2013/14 £m	2014/15 £m
1. Capital Borrowing (potential)	49.8	47.6	22.3
2. Replacement borrowing (PWLB)	5.0	5.0	10.0
3. Replacement borrowing (Market)	0.0	0.0	0.0
4. Market LOBO replacement (potential)	20.0	10.0	19.5
<b>TOTAL – KNOWN (2+3)</b>	<b>5.0</b>	<b>5.0</b>	<b>10.0</b>
<b>TOTAL – POTENTIAL (1+4)</b>	<b>69.8</b>	<b>57.6</b>	<b>32.3</b>

### 2.4 Prudential and Treasury Management Indicators for 2012/2013 – 2014/2015

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 20<sup>th</sup> November 2002 and the revised 2009 Code was adopted by the full Council on 3<sup>rd</sup> March 2010. The Code has been revised in November 2011 and the Council re-affirms its full adherence to the code annually (as set out in Appendix 5).

### 2.5 Prospects for Interest Rates

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

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

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate. A detailed view of the current economic background is contained within Annex B to this report.



## 2.6 Borrowing Strategy

### 2.6.1 Borrowing rates

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

Annual Average %	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
March 2012	0.50	2.30	4.20	4.30
June 2012	0.50	2.30	4.20	4.30
Sept 2012	0.50	2.30	4.30	4.40
Dec2012	0.50	2.40	4.30	4.40
March 2013	0.50	2.50	4.40	4.50
June 2013	0.50	2.60	4.50	4.60
Sept 2013	0.75	2.70	4.60	4.70
Dec 2013	1.00	2.80	4.70	4.80
March 2014	1.25	2.90	4.80	4.90
June 2014	1.50	3.10	4.90	5.00

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 4.50% for any further long-term borrowing for 2012/2013 to be appropriate.

Consideration will be given to various options, including utilising some investment balances to fund the borrowing requirement in 2012/2013. 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 within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

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

### 2.8 Debt Rescheduling

The reasons for any rescheduling of debt will include:

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

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

The latest interest rate projections for 2012/2013 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 agreed treasury management reporting arrangements.

### 3. **Annual Investment Policy and Strategy**

#### 3.1 **Investment Policy and Objectives**

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

The Council's investment objectives are: -

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

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

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

#### 3.2 **Investment Strategy**

This Strategy sets out:

- the procedures for determining the use of each class of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments";
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;
- whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers, (if used); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisers;
- the minimum amount to be held in short-term investments (i.e. an investment which the Council may require to be repaid or redeemed within 12 months of making the investment).

### 3.3 Investment Types

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

Specified Investments are those investments that are for a period of less than one year, are not classed as capital expenditure, and are placed with high credit rated counterparties.

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

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

### 3.4 Investments Defined as Capital Expenditure

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

### 3.6 Provisions for Credit Related Losses

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

### 3.7 Creditworthiness policy

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

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

### 3.8 Monitoring of Credit Ratings

- All credit ratings are monitored on a daily basis. The Council has access to all three credit ratings agencies and is alerted to changes through its use of the Sector Treasury Services credit worthiness service.
- If a counterparty's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the Council will cease to place funds with that counterparty. The Council will also immediately inform its external fund manager(s), if used, to cease placing funds with that counterparty.
- If a counterparty's rating is downgraded with the result that, their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa. The Council will also immediately inform its external fund manager(s), if used, of any such change(s).

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

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

### **3.9 Past Performance and Current Position**

During 2011/2012 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:

	<b>2010/11 Return %</b>	<b>2010/11 Benchmark %</b>	<b>2011/12 Return %</b>	<b>2011/12 Benchmark %</b>
			<b>Year to date</b>	<b>Year to date</b>
Council	1.50	0.36	1.63	0.50

During 2012/2013 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments.

### **3.10 Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2012/2013 are likely to range between £120 million and £270 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 2012/2013, 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 2012/2013, (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;

## Appendix 6

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

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

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

### 3.11 External fund managers

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

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

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

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

The Council uses Sector as its external treasury management advisers. The Council recognises that responsibility for treasury management decisions 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 receives, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 30<sup>th</sup> 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: -

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



### 5. **The Treasury Management Role of the Section 151 Officer**

- 5.1 The Executive Director of Commercial and Corporate Services is the Council's Section 151 Officer and has specific delegated responsibility in the Council's Constitution to manage the borrowing, financing, and investment requirements of the Council in accordance with the Treasury Management Policy agreed by the Council. This includes;
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
  - submitting regular treasury management policy reports
  - submitting budgets and budget variations
  - receiving and reviewing management information reports
  - reviewing the performance of the treasury management function
  - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  - ensuring the adequacy of internal audit, and liaising with external audit
  - recommending the appointment of external service providers.

**Interest Rate Forecasts**

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

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

## 1. Individual Forecasts

Sector's Interest Rate View															
	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
<b>Sector's Bank Rate View</b>	<b>0.50%</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
<b>3 Month LIBID</b>	<b>0.87%</b>	0.70%	0.70%	0.70%	0.70%	0.70%	0.75%	0.80%	0.90%	1.20%	1.40%	1.60%	2.10%	2.40%	2.60%
<b>6 Month LIBID</b>	<b>1.16%</b>	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.20%	1.40%	1.60%	1.80%	2.00%	2.50%	2.70%	2.90%
<b>12 Month LIBID</b>	<b>1.65%</b>	1.50%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.20%	2.40%	2.60%	3.10%	3.20%	3.30%
<b>5yr PWLB Rate</b>	<b>2.25%</b>	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
<b>10yr PWLB Rate</b>	<b>3.33%</b>	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
<b>25yr PWLB Rate</b>	<b>4.24%</b>	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
<b>50yr PWLB Rate</b>	<b>4.26%</b>	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
<b>Bank Rate</b>															
<b>Sector's View</b>	<b>0.50%</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
<b>UBS</b>	<b>0.50%</b>	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
<b>Capital Economics</b>	<b>0.50%</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>															
<b>Sector's View</b>	<b>2.25%</b>	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
<b>UBS</b>	<b>2.25%</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Economics</b>	<b>2.25%</b>	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-	-
<b>10yr PWLB Rate</b>															
<b>Sector's View</b>	<b>3.33%</b>	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
<b>UBS</b>	<b>3.33%</b>	3.45%	3.45%	3.50%	3.60%	3.65%	-	-	-	-	-	-	-	-	-
<b>Capital Economics</b>	<b>3.33%</b>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-
<b>25yr PWLB Rate</b>															
<b>Sector's View</b>	<b>4.24%</b>	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
<b>UBS</b>	<b>4.24%</b>	4.80%	4.90%	4.90%	4.90%	4.90%	-	-	-	-	-	-	-	-	-
<b>Capital Economics</b>	<b>4.24%</b>	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	-	-	-	-	-
<b>50yr PWLB Rate</b>															
<b>Sector's View</b>	<b>4.26%</b>	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
<b>UBS</b>	<b>4.26%</b>	4.80%	4.95%	4.95%	5.00%	5.00%	-	-	-	-	-	-	-	-	-
<b>Capital Economics</b>	<b>4.26%</b>	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	-	-	-	-	-

## ANNEX A

## 2. Survey of Economic Forecasts

**HM Treasury January 2012**

The current Q4 2011 and 2012 forecasts are based on the December 2011 report. Forecasts for 2011 – 2015 are based on 32 forecasts in the last quarterly forecast – in November 2011.

BANK RATE FORECASTS	quarter ended		annual average Bank Rate		
	actual	Q4 2012	ave. 2013	ave. 2014	ave. 2015
Median	0.50%	0.60%	1.20%	2.10%	3.10%
Highest	0.90%	1.80%	3.10%	4.10%	4.50%
Lowest	0.50%	0.10%	0.50%	0.90%	1.40%

## Economic Background

### 1.1 Global economy

The outlook for the global economy remains uncertain with the UK economy struggling to generate sustained recovery that offers grounds for optimism for the outlook for 2012 and into 2013. Consumer and business confidence levels are still low with little to boost sentiment, as such it is not easy to see potential for a significant increase in the economic growth rate in the short term.

At the centre of much of the uncertainty is the ongoing Eurozone sovereign debt crisis which has intensified, rather than dissipated throughout 2011. The main problem has been Greece, where, even with an Eurozone / IMF / ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved. Many commentators view is that Greece will have to exit the Eurozone in 2012.

There is also growing concern about the situation in Italy and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. There is a rising level of electoral opposition in Germany to bailing out other countries which could hinder any potential rescue package.

### 1.2 UK economy

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

**Economic Growth.** GDP growth has remained low since the election of 2010 and economic forecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitative Easing to stimulate economic activity. It appears likely that there will be another expansion of quantitative easing in early, 2012 in order to stimulate economic growth.

**Unemployment.** With the impact of the Government's austerity strategy impacting the trend for 2011 of steadily increasing unemployment, there are limited prospects for any improvement in 2012 given the prospects for weak growth.

**Inflation and Bank Rate.** For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the next two years.

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

### 1.3 Economic Forecast

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

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

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

## Appendix 6

Many forecasters believe 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.

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

## 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.

<b>Fitch / S&amp;P's Long Term Rating</b>	<b>Fitch Short Term Rating</b>	<b>S&amp;P's Short Term Rating</b>	<b>Moody's Long Term Rating</b>	<b>Moody's Short Term Rating</b>	<b><u>Maximum Deposit</u> £m</b>	<b><u>Maximum Duration</u></b>
AAA	F1+	A1+	Aaa	P-1	70	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
<b>Local Authorities</b> (limit for each local authority)					30	2 years
<b>UK Government</b> (including debt management office, gilts and treasury bills)					70	5 years
<b>Money Market Funds</b> Maximum amount to be invested in Money Market Funds is £50 million with a maximum of £30 million in any one fund.					50	Liquid Deposits

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

Where any banks / building societies 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:



**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
Money Market Funds	50
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		Limit £m	Max Deposit Period
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term		
<b>UK</b>	AAA	F1+			Aaa			AAA		300	2 years
<b>Lloyds Banking Group</b> (see Note 1)										<b>Group Limit 70</b>	
Lloyds Banking Group plc	A	F1	bbb	1	A2	-	-	A-	A-2	70	2 years
Lloyds TSB Bank Plc	A	F1	bbb	1	A1	P-1	C-	A	A-1	70	2 years
Bank of Scotland Plc	A	F1	-	1	A1	P-1	D+	A	A-1	70	2 years
<b>Royal Bank of Scotland Group</b> (See Note 1)										<b>Group Limit 70</b>	
Royal Bank of Scotland Group plc	A	F1	bbb	1	A1	P-2	-	A-	A-2	70	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	A3	P-1	C-	A	A-1	70	2 years
National Westminster Bank Plc	A	F1	-	1	A2	P-1	C-	A	A-1	70	2 years
Ulster Bank Ltd	A-	F1	ccc	1	Baa1	P-2	D-	BBB+	A-2	70	2 years
<b>Santander Group *</b>										<b>Group Limit 40</b>	
Santander UK plc	A+	F1	a+	1	A1	P-1	C-	AA-	A-1+	40	364 days
Cater Allen	A+	F1	a+	1	A1	P-1	C-	AA-	A-1+	40	364 days
Barclays Bank plc *	A	F1	a	1	Aa3	P-1	C	A+	A-1	40	364 days
HSBC Bank plc *	AA	F1+	aa-	1	Aa2	P-1	C+	AA	A-1+	40	364 days



## Appendix 6

	Fitch				Moody's			Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term		
<b>Canada</b>	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aaa	P-1	B+	AA-	A-1+	20	364 Days
Money Market Funds										50	Liquid
Prime Rate Stirling Liquidity	AAA MMF							AAAm		30	Liquid
Insight Liquidity Fund					AAA MR1			AAAm		30	Liquid
Ignis Sterling Liquidity	AAA MMF							AAAm		30	Liquid

### Notes

#### Note 1

#### **Nationalised / Part Nationalised**

The counterparties in this section will have the UK Government's AAA rating applied to them thus giving them a credit limit of £70 million

\* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme

The counterparties in this section will have an AA rating applied to them thus giving them a credit limit of £40 million

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

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

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