Sunderland City Council

Item No. 10(i)

CABINET MEETING – 11 FEBRUARY 2015

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:
Capital Programme 2015/2016 and Treasury Management Policy and Strategy 2015/2016, including Prudential Indicators for 2015/2016 to 2017/2018.

Author:
Chief Executive and Director of Finance

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 2015/2016 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2015/2016 and to approve the Prudential Indicators for 2015/2016 to 2017/2018.

Description of Decision:
Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2015/2016
- the Treasury Management Policy and Strategy for 2015/2016 (including specifically the Annual Borrowing and Investment Strategies)
- the Prudential Indicators for 2015/2016 to 2017/2018
- the Minimum Revenue Provision Statement for 2015/2016.

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.

Impacts analysed:

Equality	X	**Privacy**	X	**Sustainability**	X	**Crime and Disorder**	X

Is this a "Key Decision" as defined in the Constitution? Yes **Is it included in the 28 day Notice of Decisions?** Yes	**Scrutiny Committee**

Cabinet - 11th February 2015
Capital Programme 2015/2016 and Treasury Management Policy and Strategy 2015/2016, including Prudential Indicators for 2015/2016 to 2017/2018.

Report of the Chief Executive and Director of Finance

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 2015/2016 and the Treasury Management Policy and Strategy for 2015/2016 (including both borrowing and investment strategies) and to set the Prudential Indicators for 2015/2016 to 2017/2018.

2. Description of Decision

2.1 Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2015/2016
- the Treasury Management Policy and Strategy for 2015/2016 (including specifically the Annual Borrowing and Investment Strategies)
- the Prudential Indicators for 2015/2016 to 2017/2018
- the Minimum Revenue Provision Statement for 2015/2016.

3. Capital Programme 2015/2016

3.1 General

The proposed Capital Programme for 2015/2016 reflects both the drive to deliver on the aims and priorities set out in the Economic Master Plan as well as the Council's increasingly commercial approach to securing capital investment in the city in order to deliver growth and jobs. The total programme proposed amounts to £111.770m as set out below:

	Capital Programme 2015/2016
	£m
Children's Services	3.334
Transport	50.594
Health, Housing and Adult Services (HHA)	6.044
Other Service and Economic Regeneration Priorities	51.798
Total	**111.770**

3.2 Members will be aware that the Council has committed resources towards a substantial capital programme spanning a five year period. Therefore the 2015/2016 programme reflects ongoing capital scheme commitments from previous years of £90.678m as set out in Appendix 1 and new starts of £21.092m. The details of the full Capital Programme for 2015/2016 are included as Appendix 3 and the proposed new starts are set out in Appendix 2. The rest of this section of the report covers proposals for new starts in more detail.

3.3 **Local Asset Backed Vehicle**

In addition to the above directly funded capital schemes the Council formed a Local Asset Backed Vehicle (Siglion) with Carillion (Maple Oak) Ltd in November 2014. Siglion's early focus is on developing three priority regeneration sites of the former Vaux brewery, Chapelgarth and Seaburn. The former Vaux brewery site will be predominantly an office-led development, Chapelgarth a mixed density residential development and Seaburn a mixed leisure and residential development.

3.4 **Resources Available for new Starts**

3.4.1 **Resources - Grants**

As reported to Cabinet in January 2015 resources have been allocated regarding Education, Transport, Communities and Local Government, and Health government grants on the basis of their specific government funding approvals and other service specific resources.

The table below details Government Grants announced for 2014/2015 onwards.

	2014-15 £000s	**2015-16 £000s**	**2016-17 £000s**
Highways Maintenance	3,052	3,306	3,031
Integrated Transport	3,011	1,606	tbc
Nexus Allocation	450	tbc	tbc
Regional Growth Fund (RGF)	7,140	0	0
Local Pinch Point	1,169	0	0
Total Transport	**14,822**	**4,912**	**3,031**
Department of Health Community Capacity	860	0	0
Communities and Local Government Disabled Facilities	1,467	0	0
Better Care Fund (replaces above Health grants)	0	2,660	tbc
Total Health, Housing and Adult	**2,327**	**2,660**	**0**
Basic Needs	805	508	533
Capital Maintenance	2,225	tbc	tbc
Schools Devolved Funding	504	tbc	tbc
Universal Infant Free School Meals	443	0	0
Total Department for Education	**3,977**	**508**	**533**

3.4.2 **Resources – Capital Receipts and Reserves**

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

As part of its property rationalisation programme the Council is marketing sites when it is felt to be the appropriate time in order to achieve best value to and help support operational efficiencies. Following a review of capital receipts and existing reserves at this stage it is proposed that £8.280m capital receipts and £4.875m reserves are used to support the capital programme (£7.990m in 2015/2016 and £5.165m in future years).

Any further capital receipts from asset sales will be used to support the Council's capital programme in future years as appropriate.

3.4.3 **Resources – Revenue Budget**

Revenue resources available to support new starts in 2015/2016 amount to £0.570m which will be used to support the Council's Disabled Facilities Grants programme.

3.4.4 **Resources – Borrowing**

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

The budget includes prudent provision for capital financing charges that may arise from an additional net £5.750m of prudential borrowing (£1.050m in 2015/2016 and £4.700m from 2016/2017) and provision is made within capital financing charges for further schemes that may progress subject to development of a detailed business case. However, it is important to note that much of this investment is anticipated to be recouped through the generation of savings to support the revenue budget. Additionally, it is proposed to use this borrowing flexibly by switching with other funding sources such as capital receipts once realised, in part as a result of the forthcoming asset management review. This will reduce capital finance charges that are budgeted to arise from this borrowing.

3.5 **Detailed Proposals for New Starts and Capital Programme 2015/2016**

The Council is awaiting details of grants that will be awarded to support the 2015/2016 capital programme, including other Education grants and therefore actual grants awarded will be added to the capital programme and reported to Cabinet once details become known. Since the January 2015 Cabinet meeting, consultation with the appropriate Cabinet Portfolio Holders has been undertaken. Taking into account investment priorities to support meeting Economic Masterplan aims, which support regeneration, service and community priorities whilst harnessing commercial opportunities. The following schemes are proposed as new starts in respect of the capital programme for 2015/2016 with further details set out in Appendix 2.

Project	Total Capital Programme £m	Spend 2015/2016 £m
Service Grants / Funding:		
Children's Services Schemes	1.041	0.000
Transport Schemes	3.912	3.912
Health, Housing & Adults Schemes	3.360	3.360
	8.313	**7.272**
Invest to Save Projects:		
Street Lighting Energy Saving	6.200	3.000
Leisure Joint Venture Investment	2.000	2.000
Garden Waste Collection Fleet Replacement	0.840	0.420
Footbridge Removal, Glebe Estate	0.250	0.250
Parking Meters	0.125	0.125
In-Cab GIS Information System	0.130	0.130
	9.545	**5.925**
Other Projects:		
North Bridge Street Two Way Traffic System	4.000	0.300
Strategic Land and Property Acquisitions	4.000	4.000
Planned Property Capital Maintenance	1.100	0.500
Railway Station Public Realm	0.750	0.250
Seafront – Marine Walk Masterplan Phase 3	0.650	0.500
Seafront Lighthouses	0.500	0.500
Recycling Fleet Replacement	2.090	0.000
New Salt Barn	1.500	0.500
Safety Fencing Replacement	0.400	0.100
Replacement Horticultural Equipment	0.200	0.200
Port Infrastructure	0.300	0.300
Inward Investment	0.400	0.400
Illuminations	0.170	0.170
Decent Homes	0.150	0.075
Keel Line Viewing Platform Feasibility Study	0.100	0.100
	16.310	**7.895**
Total New Starts	**34.168**	**21.092**

It is important to note that some capital schemes included in the table above will be subject to funding bids which are being developed. Planned funding sources for individual capital schemes may be altered but funding will be allocated to projects in order to achieve best value to the Council and the capital programme will continue to be prudent, affordable, and sustainable into future years and within overall borrowing limits whilst still retaining flexibility.

The recommended Capital Programme is included in full as Appendix 3 to this report.

3.6 **Further Reports**

In accordance with the Council's Constitution, prior to commencement of projects, details of all new schemes must be subject to a full capital investment appraisal. Those schemes with an estimated cost in excess of £0.250m must be reported for approval to Cabinet. For those schemes below £0.250m consultation must take place with the relevant Cabinet Portfolio Holder in advance of delegated decisions being taken to implement these schemes.

4. Prudential Framework and Code

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

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

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

4.3 All authorities must follow the latest prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process. The prudential and treasury management indicators have been prepared for the financial year 2015/2016, 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 4 in full compliance with the code.

4.5 Regulations came into force on 31st March 2008 which require 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 2015/2016 for the Council is set out in Section 1.9 a) to d) of Appendix 5.

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 6) 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 7).

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) updated its Treasury Management in the Public Services Code of Practice in November 2011.

5.3 **CIPFA Code of Practice requirements**

The Council continues to fully adopt and to re-affirm annually its adherence to the updated CIPFA Code of Practice on Treasury Management.

The primary requirements of the Code include:

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 (TMPs), 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 6 and the TMPs follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the particular circumstances of the Council and these 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 TMPs.

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 Director of Finance, who acts in accordance with the organisation's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

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

5.4 **Treasury Management Strategy Statement for 2015/2016**

5.4.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments in 2015/2016.

5.4.2 There are however no major changes being proposed to the overall Treasury Management Strategy in 2015/2016 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 positions, in particular forecasts relating to interest rates and security of investments.

5.4.3 The proposed Treasury Management Strategy Statement for 2015/2016 is set out in Appendix 7 and is based upon the views of the Director of Finance, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Capita Asset 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 performance for 2014/2015 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.35% is low in comparison with other local authorities whilst the current rate earned on investments at 0.76% is higher than the benchmark rate of 0.35%. Market conditions are also under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. **Reasons for Decision**

6.1 To comply with statutory requirements.

7. Alternative Options

7.1 No alternative options are proposed.

8. Impact Analysis

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

9. List of Appendices

9.1 Appendix 1 – Capital Commitments into 2015/2016
Appendix 2 - Capital Programme 2015/2016 New Starts
Appendix 3 – Capital Programme 2014/2015 to 2018/2019
Appendix 4 – Prudential and Treasury indicators 2015/2016 to 2017/2018
Appendix 5 – Minimum Revenue Provision Policy Statement 2015/2016
Appendix 6 - Treasury Management Policy Statement
Appendix 7 – Treasury Management Strategy Statement for 2015/2016

Appendix 1

	Capital Commitments 2015/2016 from 2014/2015
	£m
Children's Services Schemes	3.334
Transport Schemes	43.652
Health, Housing & Adults Schemes	2.684
Provision for Economic Development	0.360
Port Infrastructure and Invest to Save Works	1.084
Parks Improvement Programme	0.500
Investment Corridors	2.000
Enterprise Zone Infrastructure	10.779
Sunderland Railway Station Contribution	3.000
Beacon Of Light Contribution	2.500
Washington Leisure Centre	1.449
New Sunderland College Contribution	3.000
Intelligence Hub	1.269
Sunderland Riverside, Stadium Park	1.138
Seafront Developments	0.479
Other Schemes	13.450
Total	**90.678**

Appendix 2

Capital Programme 2015/2016 – New Starts

1.0 Children's Services Capital Proposals 2015/2016

1.1 The table below details the Children's Services Government Grants announced for 2014/2015 onwards.

	2014-15 £'000	2015-16 £'000	2016-17 £'000
Education Capital Maintenance	2,225		
Education Basic Need	805	508	533
Schools Devolved Funding	504		
Universal Infant Free School Meals	443		
Total Children's Services	**3,977**	**508**	**533**

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

1.2.1 There is projected to be £5.291m Education Capital grants funding (Capital Maintenance and Basic Needs) that will be available from 2015/2016 for School Asset Management Priorities. This consists of £4.250m from allocations projected to be brought-forward from 2014/2015 and prior years, and £0.508m new 2015/2016 allocations. In addition, there are Basic Needs allocations confirmed for 2016/2017 totalling £0.533m. The voluntary-aided sector is allocated a share of grant funding based on pupil numbers, and reflecting the governors' 10 per cent contribution and eligibility for VAT for Capital Maintenance. Funding is held back centrally for academies which means that there is no call on the capital maintenance funds allocated to Local Authority schools. Details below show current proposals from the new grant allocations as well as the projected grant allocations brought forward from previous years, but excluding the Schools Devolved Capital grant from which schools will determine their own priorities from their allocations. Further proposals may arise during the year as other essential works emerge to meet key priorities.

Priority Schools Building Programme (PSBP) - £0.675m Setting Up Allowances and £0.800m Capital Works

1.2.2 As identified in the 2014/2015 Capital Programme, the Council has retained an allocation to be used as a setting up allowance for the maintained schools currently included in the External Funding Agency's (EFA)'s Priority School Building Programme. Funding is to cover costs not included in the programme such as investment in the ICT infrastructure and furniture. This allocation is to be accessed by Hetton School, Hylton Castle Primary School and Shiney Row Primary School. The new builds for all 3 schools are projected to be completed during 2016.

1.2.3 The Council and EFA have considered the capacities of the new build schools in light of the change in projected pupil numbers and an increase in housing developments in the period since the Council submitted its expression of interest in the PSBP programme. Following this review it has been proposed that the total capacity of the new Shiney Row Primary School is increased from 315 pupils to 420 pupils. The estimated cost to the Council for the increase in capacity is £0.690m. Additional space is also required at the new build at Hylton Castle Primary School to accommodate the large year groups currently in the school. Cost for the change to the programme to accommodate the increased pupil numbers at the new Hylton Castle Primary School is estimated to be £0.110m.

1.2.4 The Council has submitted an expression of interest for an additional 3 maintained schools and 2 RC Diocese schools as part of the PSBP 2 Programme. The Schools included in the Council's submission are JFK Primary School, Springwell Village Primary School, South Hylton Primary School, Ryhope St Patrick's RC Primary School and St Joseph's Primary School Washington. The EFA is anticipated to communicate the outcome of the PSBP 2 bidding round in January 2015.

Basic Need

1.2.5 The Council remains the responsible body for the city's Basic Need funding. This funding is for all publicly funded schools in the city (including Academies and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places can be provided where needed. The Council's allocation for 2015/2016 has been announced at £0.508m, and for 2016/2017 at £0.533m.

1.2.6 Cabinet has already agreed £0.918m of proposed works at Our Lady Queen of Peace RC Primary School to increase the capacity of the school from 210 to 315. A proposal has also been submitted to Cabinet to increase the capacity at Columbia Grange Primary School (£0.400m) and to develop the Cheadle Centre in advance of a transfer to the Assent Academy Trust (£0.200m) in order to respond to the increasing demand for specialist primary and secondary ASD school places in the city.

1.2.7 Basic need is supplemented by an increased number of Section 106 Agreements with developers. S106 Agreements provide additional funding to create school places generated as a consequence of new housing developments. Agreements to the value of £1.710m have been agreed with developers to date (this only includes schemes with full planning consent). In 2015/2016 developments are anticipated to yield funding for the previously commissioned expansion at Easington Lane Primary School while funding from the High Ford development is to be used to increase the capacity at St Joseph's RC Primary, Millfield.

1.2.8 Additional works have been identified at Castletown Primary school to facilitate an increase in capacity from 350 pupils to 420 pupils. Additional work is also required in order to ensure compliance with the Universal Free School Meals Policy. This work is to be funded using the Council's Capital Maintenance budget and Basic Need allocation. Estimated costs for all works are £0.200m

Pupil Planning

1.2.9 In addition to the proposed works above the Council is assessing the localities where pupil projections have indicated there will be insufficient school places to meet future demand. Particular focus for 2015 – 2017 has been placed in North Sunderland where the Council is currently in the process of working with local primary schools to identify suitable locations to create additional capacity.

Capital Maintenance

1.2.10 The Council is committed to carrying out an on-going set of improvements across the maintained educational estate in the City. Academies and Voluntary Aided Schools are not eligible for Capital Maintenance funding held by the Council.

1.2.11 The focus for the People Directorate's Capital Maintenance plan 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 unforeseen situations that arise in schools year on year. To achieve this outcome an ongoing refurbishment programme is in place focusing on the following areas:

- Window replacement
- Fire detection systems
- Boiler/ heating replacement
- Roofing works
- Asbestos removal
- Lighting renewals
- Kitchen and dining facilities

1.2.12 The Council's 2015/2016 Capital Maintenance allocations has not yet been announced. As the number of local schools converting to academies increases, the overall capital allocation for the Council declines. It is therefore anticipated that, as with previous years, the 2015/2016 allocation will reflect a decrease on the allocation received in previous years.

1.2.13 In addition to the above priorities the Council has also allocated a sum of £0.250m as a contribution to works to improving the Council's ICT and Broadband infrastructure, particularly within schools. This work is anticipated to commence in 2015/2016.

2.0 Highways Capital Funding 2015/2016

2.1 Highways Maintenance Capital Funding

The Government announced in June 2013 that it would be making available £5.8 billion capital - £976 million each year – over the course of the next parliament to tackle highway maintenance on the local highway network. For 2014/2015 the national highways maintenance funding was £707m topped up with additional one-off funding of £75m.

Following a short consultation exercise this year with local authorities, the Department for Transport (DfT) reviewed and revised the basis for allocating this funding to councils via a Funding Model for 2015/2016 to 2020/2021. This Model includes funding provided for three elements: a Needs Formula comprising of the majority of the overall funding; an (Efficiency) Incentive Formula based on responses to a self-assessment efficiency exercise; and a Challenge Fund to bid against for major highways maintenance works. The proportional split of these elements vary as years progress, with the Needs Formula moving from £901m in 2015/2016 to £725m from 2018/2019.

For 2015/2016, there is no separate Incentive Formula funding – it is included in the Needs funding - to allow the process for this to develop. The DfT allocations for Sunderland based on the Needs formula are shown in the table 2.3, with £3.306m allocated for 2015/2016.

2.2 Integrated Transport Capital Funding

The North East Combined Authority (NECA) has received confirmation from the DfT on Integrated Transport allocations awarded to Tyne & Wear, Durham and Northumberland. These are for 2015/2016 to 2017/2018 with indicative allocations for the following 3 years; all years being the same allocations, but follows a national top-slice of 43.7% from the 2014/2015 allocation to transfer funding into the Local Growth Fund.

The 2015/2016 funding arrangements to each local authority in NECA will be agreed by the North East Leadership Board. For Sunderland the expected allocation is £1.606m, this is an allocation from the Tyne & Wear funding as in previous years. There is also a 4% top-slice from this and the above Highways Maintenance to fund a NECA transport team (replacement of the previous transport management teams with similar funding arrangements) as well as provide for continuation of collaborative projects within the Tyne & Wear region. Local allocations from 2016/2017 will be reviewed once again by NECA, but are intended to be more strategic and with a plan-led approach following establishment of a common NECA Transport Plan.

2.3 The table below details the Highways Capital Funding announced for 2014/2015 onwards.

	2014-15 £'000	**2015-16 £'000**	**2016-17 £'000**	**2017-18 £'000**
Highways Capital Maintenance	3,052	3,306	3,031	2,939
Highways Integrated Transport	3,011	1,606	tbc	tbc
Nexus Allocation	450	tbc	tbc	tbc
Local Pinch Point	1,169	0	0	0
Regional Growth Fund (RGF)	7,140	0	0	0
Total Transport	**14,822**	**4,912**	**3,031**	**2,939**

There is also other funding from prudential borrowing. The Council has previously approved investment of £5m over 5 years into capital transport schemes from 2012/2013 to 2016/2017 (£1m p.a.). The total confirmed funding for transport schemes from 2015/2016 from prudential borrowing and new grants is therefore £12.882m (£4.912m 2015/2016 grants, £3.031m 2016/2017 grants, £2,939m 2017/2018 grants and £2m 2015/2016 to 2016/2017 prudential borrowing), or £10.882m from new grants only.

Proposals for Highways Capital Programme New Starts 2015/2016

2.3.1 The proposed capital programme for 2015/2016, excluding ongoing commitments in relation to the New Wear Crossing, will leave £3.912m (£5.912m less £2m for the Crossing) to support the following priorities:

- The structural maintenance of highways and bridges – £2.633m.
- Economic development and regeneration by managing congestion; support safe and sustainable communities by improving Road Safety and, improving access; addressing climate change by promoting sustainable travel - £1.279m including funding of the central transport team for NECA / Tyne and Wear.

The use of funding of future years allocations will be considered at the appropriate time.

3.0 Health, Housing and Adult Services Capital Proposals 2015/2016

3.1 Proposals for Health, Housing and Adult Services Capital Programme New Starts 2015/2016

The table below details the Health, Housing and Adult Services Capital Funding announced for 2014/2015 onwards, 2015/2016 being as part of the Better Care Fund.

	2014-15 £'000	**2015-16 £'000**
Disabled Facilities Grant	1,467	1,787
DoH / Social Care Capital Grant	860	873
Total	**2,327**	**2,660**

The table below outlines the current proposals for 2015/2016 to be funded from new announced grant allocations and other resources.

	2015-16 £'000
Disabled Facilities Grant (DFG)	2,999
Improvements to Care and Support – Refurbishment Works	150
Reablement Services	211
Total Expenditure	**3,360**

Further detail is set out below.

3.1.1 **Housing**

Disabled Facilities Grant

It is proposed that the Disabled Facilities Grants budget for 2015/2016 is increased by £0.512m to £2.999m for one year to deal with a backlog of identified home improvement works and meet the urgent needs of these clients. The full project can be funded through the Better Care Fund grant allocations of £1.787m re DFG and £0.512m re Social Care Capital, a Council contribution of £0.570m, and a contribution from Registered Social Landlords of £0.130m.

3.1.2 **Adult Services**

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

Reablement Services
It is proposed to use the remaining £0.211m Better Care Fund grant in 2015/2016 to accelerate the expansion of reablement services in the city with Health partners.

4.0 Other Capital New Start Proposals 2015/2016

Resources to support other proposals for capital projects are set out in Section 3 of the main report. The following projects are proposed for inclusion in the 2015/2016 capital programme.

4.1 Invest to Save New Start Proposals
The following projects are investments that are required to support efficiency savings from 2015/2016:

4.1.1 Street Lighting – Energy Saving £6.200m (£3.000m in 2015/2016 and £3.200m in 2016/2017)
LED technology has progressed significantly over the last few years and a number of suppliers can provide a cost effective lighting solution at competitive rates, enabling reductions of 50% of the energy when compared with traditional lighting, providing a life-span four times as long and being easier to maintain. Following successful trials in the city, the switch to LED for approximately 23,000 residential lighting units will reduce the council's energy bill for street lighting and associated CO2 product. This investment will also act to future proof against future energy price increases. An application has been made to access SALIX funding, with a strong expectation of success. The LED lighting will provide a white-light that allows greater colour rendition, allowing people to see better, enhancing the sense of safety and enabling improved vision on CCTV viewing and recording.

4.1.2 Leisure Joint Venture Investment £2.000m in 2015/2016
As part of the proposals for creating a joint venture for the delivery of leisure services, the Council will be providing capital investment of £2m alongside investment from the partner that will be utilised to increase the capacity and opportunities for citizens to participate in sport and health activities.

4.1.3 Garden Waste Collection Fleet Replacement £0.840m (£0.420m in 2015/2016 and £0.420m in 2016/2017)
It is proposed to allocate £0.840m over 2 years to replacing 6 garden waste collection vehicles to ensure continuation of the Council's existing service provision and contribute to the delivery of £0.600m income target from 2016/2017. An options appraisal will be carried out to ensure that purchase of these assets will provide better value to the Council than leasing.

4.1.4 Footbridge Removal at Glebe Estate £0.250m in 2015/2016

It is proposed to remove the footbridge at Glebe Estate and replace it with a pedestrian crossing to allow for housing regeneration on site. This would be on an invest to save basis via an expected increase to Council Tax from any additional homes.

4.1.5 Parking Meters £0.125m in 2015/2016

Provision of new parking meters for city centre parking is required to deliver agreed efficiencies identified in the parking strategy / Medium Term Financial Strategy.

4.1.6 In-Cab GIS Information System £0.130m in 2015/2016

Installation of an in-cab GIS information system linked to the Customer Service Network (CSN) will improve performance, customer satisfaction and reduce customer contacts resulting in revenue savings. Funding includes £0.030m from the NE Regional Improvement and Efficiency Programme.

4.2 Other New Start Proposals

The following projects are other proposals to support meeting Economic Masterplan aims which support regeneration, service and community priorities whilst harnessing commercial opportunities:

4.2.1 North Bridge Street 2 Way Traffic System £4.000m (£0.300m in 2015/2016, £3.000m in 2016/2017 and £0.700m in 2017/2018)

Proposal of a gateway scheme to introduce two way traffic on North Bridge Street and Dame Dorothy Street to ease the flow of traffic coming into the city centre across Wearmouth Bridge and cut travel times thereby assisting businesses, consumers and visitors to the city.

4.2.2 Strategic Land and Property Acquisitions £4.000m in 2015/2016

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 will be brought forward in accordance with the Council policy for the acquisition of land and buildings.

4.2.3 Planned Property Capital Maintenance £1.100m (£0.500m in 2015/2016, £0.200m in 2016/2017, £0.200m in 2017/2018 and £0.200m in 2018/2019)

To help prevent the ongoing degradation of the property portfolio it is proposed that additional resources amounting to £1.1m are provided for 4 years to continue proactive investment on planned capital maintenance.

4.2.4 Railway Station Public Realm £0.750m in 2015/2016 (£0.250m in 2015/2016 and £0.500m in 2016/2017)

Funding is currently allocated for the redevelopment of the Railway station. However, in order to maximise and build upon the quality of the new station, additional investment of £0.750m is required for public realm works.

4.2.5 Seafront – Marine Walk Masterplan Phase 3 £0.650m (£0.500m in 2015/2016 and £0.150m in 2016/2017)

Phase 1 and phase 2 have seen the majority of the Marine Walk area regenerated both the physical environment and attracted private investment (specifically the development of the Pier Point building). Whilst significant investment has been made to date a third phase would continue the improvements to ensure the continued success of Roker as a key asset for the city by tackling a number of areas not yet dealt with including: improvements to the footways from Roker Terrace down to Marine Walk; remedial works to tackle traffic management issues; and, the relocation of the toilet block adjacent to the bungalow cafe down to the car park area (including the provision of a Change Place facility). The redundant toilet block would be marketed for suitable uses.

4.2.6 Seafront Lighthouses (Roker Pier and Lighthouse Phase 4 and Seaburn Lighthouse) £0.500m in 2015/2016

Following the completion of phase 1 (lantern house) and phase 2 (resurfacing and pier structural repairs), the third phase will restore the lighthouse and open it up, along with the tunnel, as a visitor attraction (subject to securing Heritage Lottery Fund grant in March 2015). Phase 4 funding would allow the original railings on the pier to be restored and the modern railings replaced with historic replicas. The Phase 4 works would complete the full restoration of the pier complex. In addition, the grade II listed lighthouse on Cliff Park (Seaburn) requires a number of capital repairs.

4.2.7 Recycling Fleet Replacement £2.090m (£0.950m in 2016/2017 and £1.140m in 2017/2018)

It is proposed to allocate £2.090m over 2 years to replacing 11 split body recycling vehicles which will continue the Council's existing service provision. An options appraisal will be carried out to ensure that purchase of these assets will provide better value to the Council than leasing.

4.2.8 New Salt Barn £1.500m (£0.500m in 2015/2016 and £1.000m in 2016/2017)

The current salt barn is on the proposed route for the SSTC3, and its relocation is therefore a priority. The current facility for storing the Council's winter maintenance road salt stock is not the most efficient given that it is not under cover, meaning that there is wastage of the salt from rain and wind, also wet salt is less efficient at being spread than dry salt. The new facility will include under cover storage and will protect the salt from wastage.

4.2.9 Safety Fencing Replacement £0.400m (£0.100m p.a. 2015/2016 to 2018/2019)

A condition survey had identified the need to replace parts of the safety fencing on the city's road network. A sum of £0.200m was provided for 2014/2015 to meet the high priority needs from that survey. A further allocation of £0.100m p.a. would continue this and allow safety fences at other priority locations identified from the condition survey to be replaced and ensure that public safety is not compromised.

4.2.10 Replacement Horticultural Equipment £0.200m in 2015/2016

Replacement horticultural equipment programme for aged grass cutting equipment would increase reliability and effectiveness of equipment affected.

4.2.11 Port Infrastructure £0.300m in 2015/2016

Investment in the Port's Infrastructure will be undertaken to enable continued access to existing and new commercial opportunities including increasing the range of cargos currently handled at the Port. Improvements and expansion of the Port's estate will provide more capacity to maximise commercial opportunities and reduce external costs.

4.2.12 Inward Investment £0.400m in 2015/2016

It is proposed to support the inward investment campaign for a further year in 2015/2016. The £0.400m investment will cover key work streams of automative, software / digital, port / offshore plus an expansion of the campaign to cover enterprise and social enterprise with associated marketing.

4.2.13 Illuminations £0.170m in 2015/2016

The 2014 Roker Park Illuminations achieved great success in attracting over 148,500 visitors within six weeks. It is proposed to build on this success and further improve the 2015 illuminations with an estimated £0.170m investment from earmarked capital reserves. This will enable extension of the high quality feature lighting offer throughout Roker Park including a transition to a maritime theme in order to support the build-up to the 2018 Tall Ships and investment in low cost, low maintenance programmeable LED lighting along the seafront promenade area.

4.2.14 Decent Homes £0.150m (£0.075m in 2015/2016 and £0.075m in 2016/2017)

It is proposed to make a further contribution to meet the requirements of the Financial Assistance Policy to enable decent homes works and for homes where there is serious disrepair to be carried out. The £0.150m is to be funded from the balance of uncommitted New Homes Bonus reserve.

4.2.15 Keel Line Viewing Platform Feasibility Study £0.100m in 2015/2016

A feasibility study will inform options and cost estimates to consider for proposed completion of the Keel Line with a viewing platform overlooking the river Wear.

4.3 Potential Invest to Save / Grant Funded Schemes

It is proposed that the Capital Programme includes headroom over the medium term to support capital spending for 'invest to save' schemes and also match funding for bids made for external funding. These are primarily in partnership with the private sector to support investment in the City and enable future strategic developments to take place and support the aims of the Sunderland Economic Masterplan. These schemes are still subject to negotiation/bids and will only progress subject to development of a detailed business case or external funding confirmation, at which point they will be reported to Cabinet and added into the capital programme. It is important to note that much of this investment is anticipated to be recouped through commercial arrangements over time and some investments are linked to the generation of savings to support the revenue budget.

Appendix 3

CAPITAL PROGRAMME

Summary of Programme
2014/15 to 2018/19

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Leader	87,944	23,229	24,002	29,513	11,200		
Deputy Leader	12,523	9,400	974	2,149			
Cabinet Secretary	26,752	8,869	10,950	4,113	1,040	890	890
Children's	17,551	4,939	6,699	3,334	2,579		
Health, Housing & Adult Services	20,772	7,355	7,223	6,119	75		
Public Health, Wellness & Culture	17,979	3,563	10,062	4,354			
City Services	236,183	21,471	29,119	57,584	72,603	20,706	34,700
Responsive Services & Customer Care	3,649	859	1,521	1,269			
Contingencies	7,855		4,520	3,335			
TOTAL CAPITAL EXPENDITURE	**431,208**	**79,685**	**95,070**	**111,770**	**87,497**	**21,596**	**35,590**

CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2014/15 £'000	**2015/16** £'000	**2016/17** £'000	**2017/18** £'000	**2018/19** £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	51,429	37,611	17,256	11,758	1,290
Salix		2,250	2,170		
Government Grants					
Department for Communities and Local Government (DCLG)	15				
Better Care Fund Grant / DoH Disabled Facilities & Other Grant	2,461	2,660			
DoH - ICT Grant	198				
DfE - Capital Maintenance Grant	1,174	2,524	1,420		
DfE - Basic Need Grant	3,212	306	1,159		
DfE - Schools DFC Grant	1,238	504			
DfE - 2 Year Old Offer	553				
DfE - Short Breaks	36				
DfT - Local Transport Plan (LTP)	5,975	5,000	3,031	2,939	
DfT - S31 Transport Grant		33,967	48,596		
DfT - Local Sustainable Transport Fund (LSTF)	210				
DfT - Sustrans	75				
DfT - Pothole Grant	127				
Growing Places Fund Grant	1,655	2,231			
Regional Growth Fund (RGF)	6,974				
Local Pinch Point (LPP)	1,157				
Coast Protection	731	283	700		
English Partnership / SHIP	226				
BIG Coastal Communities Fund	106				
Local Growth Fund (LGF)			7,950	4,500	34,000
Universal Free School Meals	443				
Department of Energy and Climate Change (DECC)	10	70			
Other Government Grants	18	30			
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	1,915	2,776	1,350	959	
ERDF	4,711	1,513			
Homes and Communities Association (HCA)	1,165	2,300			
Football Foundation	20				
Nexus LTP	511				
Sport England	15				
Other External Funding					
Capital Contributions General	835	198			
Other Grants	355	130			
Total External Sources	**87,550**	**94,353**	**83,632**	**20,156**	**35,290**
FROM INTERNAL SOURCES					
Revenue Contributions					
General Fund		270			
Strategic Initiative Budget	89				
Directorate	300	300			
Reserves					
Strategic Investment Reserve	903	839			
Strategic Investment Plan Reserve	973	53	950	1,140	
Unutilised RCCO Reserve	1,424	1,069	142		
Capital Priorities Reserve	952	3,629	420		
Stadium Park Transfer Reserve	20	1,138			
Rainton Bridge Reserve	197				
SAP Development Reserve	40				
Digital Challenge Reserve		458			
Working Neighbourhoods Reserve	39	1,664	398	100	100
Modernisation Reserve		1,000			
New Homes Bonus Reserve	1,445	75	75		
S106 Reserve	638	553			
Port Reserve		300			
Capital Receipts	500	6,069	1,880	200	200
Total Internal Sources	**7,520**	**17,417**	**3,865**	**1,440**	**300**
TOTAL FINANCING	**95,070**	**111,770**	**87,497**	**21,596**	**35,590**

LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

It aims to do this by:

- Continuing to deliver effectively ongoing commitments and identify feasible and realistic new starts that contribute strategically and operationally toward delivery of the five aims of the Sunderland Economic Masterplan.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Strategic Land Acquisitions will enable further physical regeneration in the City. Main acquisitions in current year included property at Nile Street as part of the Joint Venture with Homes and Community Agency for the redevelopment of Central Sunniside which has been acquired with a view to providing a comprehensive development site.
- St Mary's Boulevard & Keel Square - Works are progressing with the construction of the realigned highway and new Keel Square, which are scheduled for completion early 2015.
- Demolition of Crowtree Leisure Centre - Demolition of the existing segment and the permanent works to enhance the remaining facade were completed in June 2014. The site was in the first instance temporarily secured and hoarded to allow grass landscaping to consolidate. The footprint now provides a grassed area with public through-access which can be available for potential future events.
- Washington Business Centre was completed in March 2014. The building which is the 3rd of the Council's Business Incubators, provides a further capital asset to the council and encourages and supports business startups and business expansions.
- The Council's capital contribution towards the recent extension to The Bridges Shopping Centre has helped in providing significant new retail space, increased footfall and an improved entrance from High Street West. In addition as landowner the Council will receive a rental return proportionate to its contribution.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

- Identifying and maximising external match funding opportunities where applicable.
- Alternative funding and delivery methods.
- Efficiencies through improved procurement techniques and monitoring arrangements.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Former Vaux Site Advanced Works - The reinstatement retaining walls and backfill following a landslip is required and after completion of St Mary's Boulevard some remedial works may be required to the grass areas where it has not been possible to gain access for regular maintenance.
- Enterprise Zone Infrastructure - A planning application for a scheme of highway improvements to service the Hillthorn Farm site has been submitted (January 2015). A development partner has also submitted a planning application for the Hillthorn Farm site, and development is due to commence later this year.
- Strategic Land Acquisitions – Further acquisitions are to be completed which are considered to be of strategic importance.
- Sunderland Railway Station Contribution - work with Network Rail will continue with the objective of securing commitment towards the redevelopment of the above ground concourse to Sunderland Station.
- Investment Corridors – Engagement with stakeholders is underway to inform draft designs which will focus on Bridge Street and High Street West up to Keel Square, works are due to commence early 2016. A later second phase will continue the works from Keel Square up to the junction with St. Michael's Way. This is an important route within the City Centre, which links both shopping and leisure facilities as well as the University campus and is a key area for investment and improvement.
- Industrial Portfolio Improvement Works – Work continues to expand Council owned industrial units to support business demand and generate revenue to the Council via increased rents.
- City Deal – International Advanced Manufacturing Park (IAMP) - A number of activities are progressing including a range of feasibility studies to identify potential barriers and mitigation presented by the land north of Nissan (the

general area of the proposed IAMP site). In addition, a business case has been submitted to the Cabinet Office for £5m of funding committed by Government as part of the City Deal.

- Beacon of Light - The SAFC Foundation of Light is continuing to progress with its Funding Strategy and has already secured several million pounds towards the construction and development of an events facility at Stadium Park. Further funding applications are being progressed. The Foundation plans to submit a full planning application for the project in spring 2015, with a proposed start to the development by the end of 2015.
- Heat Networks – Energy Masterplan and Feasibility study - The Sunderland Heat Map will provide a city-wide understanding of current and future heat demands, offering an important evidence base for the Council and partners to develop appropriate solutions for improved energy management and the energy infrastructure requirements for key strategic sites. Procurement is expected to commence in early 2015.
- New Sunderland College Contribution - The Council's contribution towards the Sunderland College Campus proposal continues the regeneration of the City Centre and enables the development of a new flagship base which will run courses for 2,000 students supported by 120 staff and allow public access to its facilities.

New Starts

- Support the inward investment campaign which will cover key workstreams of automotive, software/digital, port/offshore plus an expansion of the campaign to cover enterprise and social enterprise with associated marketing.
- Further acquisition of land and buildings which are considered to be of strategic importance and would contribute towards the Council's physical regeneration aspirations for the City.
- Public realm works to build upon the quality of the new railway station.
- A feasibility study to complete the Keel Line with a viewing platform overlooking the river Wear.

LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments				
			2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	73,212	23,229	21,204	18,079	10,700		
Projects Commencing 2014/15	9,482		2,798	6,684			
Projects Commencing 2015/16	5,250			4,750	500		
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**87,944**	**23,229**	**24,002**	**29,513**	**11,200**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	18,183	17,587	4,750		
Government Grants					
Growing Places Fund Grant	1,655	2,231			
Local Growth Fund (LGF)			5,950		
Department of Energy and Climate Change (DECC)	10	70			
Grants from Other Public Bodies					
ERDF	2,896	1,298			
Other External Funding					
Capital Contributions General	835	198			
Total External Sources	**23,579**	**21,384**	**10,700**		
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	5	339			
Unutilised RCCO Reserve		100			
Capital Priorities Reserve	162	3,040			
Rainton Bridge Reserve	197				
Working Neighbourhoods Reserve		400			
New Homes Bonus Reserve	59				
Capital Receipts		4,250	500		
Total Internal Sources	**423**	**8,129**	**500**		
TOTAL FINANCING	**24,002**	**29,513**	**11,200**		

LEADER
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments 2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Strategic Economic Development								
CP0126	Former Vaux Site Advance Site Works	F Serajian	1,466	1,122	5	339			
CP0136	Enterprise Zone Infrastructure	F Serajian	21,000	165	3,056	10,779	7,000		
CP0127	Strategic Land Acquistion Provision	N Wood	4,659	2,604	894	1,161			
CP0137	Sunderland Railway Station Contribution	N Wood	3,000			3,000			
CP0138	St Mary's Boulevard & Keel Square	F Serajian	12,581	7,330	5,251				
CP0139	Investment Corridors	F Serajian	4,000	30	470	2,000	1,500		
CP0175	Demolition of Crowtree LC	F Serajian	3,063	2,583	480				
	Business Investment								
CP0129	Washington Business Centre	T Hurst	6,258	6,206	52				
	Strategic Improvement Programmes								
CP0132	Smarter Working	F Serajian	3,038	2,841	197				
CP0191	Industrial Portfolio Improvement Works	F Serajian	9,147	296	8,851				
	Strategic Economic Development								
CP0142	City Deal Development	V Taylor	5,000	52	1,948	800	2,200		
TOTAL CONTINUING PROJECTS			**73,212**	**23,229**	**21,204**	**18,079**	**10,700**		
	Projects Commencing 2014/15								
	Strategic Improvement Programmes								
CP0127	Strategic Land Acquistion Provision	N Wood	2,000		926	1,074			
CP0208	Beacon of Light Contribution	D Hattle	3,000		500	2,500			
CP0197	Bridges Shopping Centre - Contribution	N Wood	1,362		1,362				
CP0203	Energy Masterplan & Feasibility Assessment (DECC)	V Taylor	120		10	110			
CP0198	New Sunderland College Contribution	N Wood	3,000			3,000			
TOTAL PROJECTS COMMENCING 2014/15			**9,482**		**2,798**	**6,684**			
	Projects Commencing 2015/16								
	Strategic Economic Development								
CP0235	Inward Investment	D Lewin	400			400			
	Strategic Improvement Programmes								
CP0127	Strategic Land Acquistion Provision	N Wood	4,000			4,000			
CP0221	Railway Station Public Realm	N Wood	750			250	500		
CP0238	Keel Line - Viewing Platform Feasibility Study	F Serajian	100			100			
TOTAL PROJECTS COMMENCING 2015/16			**5,250**			**4,750**	**500**		
TOTAL CAPITAL PROGRAMME			**87,944**	**23,229**	**24,002**	**29,513**	**11,200**		

DEPUTY LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

- SAP Infrastructure – Improvements were made to the performance of the SAP Financial and HR systems.
- IT Developments – Part of this programme included improvements being made to air conditioning at the Moorside Datacentre to mitigate risks identified following an infrastructure outage.

KEY MEDIUM TERM PRIORITIES

- Supporting the Council's Transformation Programme and delivering the ICT work stream.
- Improving the resilience of the ICT infrastructure.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The programme contributes to value for money and efficiencies by underpinning the council's Transformation Programme and providing a secure and flexible ICT environment.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Flexible Working solutions – The delivery of enhanced security, including two factor authentication for accessing systems remotely.
- Digital Challenge – Continue the roll out of superfast broadband across the city via the sub regional Digital Durham Programme. Continue to support the improvement of digital skills across the city, including supporting the take up of services as they move to a self-service model delivered by the Internet.
- SAP Archiving – The secure store of historical SAP records, which will improve system performance.
- Revenue & Benefits System - The delivery of on-line benefits forms and the upgrade of the document imaging system associated to benefits claims. Additional modules to improve current functionality of system improving service to the customer.
- Network Upgrade – A rolling programme to upgrade the power back up systems (UPS) of essential network equipment. The UPS devices protect the council's core network and telephony equipment from power outages and power surges.
- Employee Self Service - The automation of the processes that underpin the HR and Payroll services through the use of interactive forms. This will reduce the volume of paper documentation that currently exists within the Shared Services area and will improve the quality of data within the HR system. This includes a review of forms and processes being undertaken prior to implementation of a technology solution.
- Electronic Document Management – The introduction of work flow, version control, storage and classification of documents and records. This will reduce the reliance on paper documentation, improve the ability for employees to work from any location and improve Information Governance through the correct classification and control of documentation. The system will also support secure data exchange and collaboration between the council and its partners.
- Corporate Computing Model – Completion of final remedial actions in relation to the roll out of the virtual desk top across the Council.
- IT Developments – A programme of activities to improve underlying ICT infrastructure that will enable efficiencies within the Council to be achieved and help services to meet necessary budget reductions.
- Wider Network Upgrade – This relates to the migration of the Council's Wide Area Network connections to Superfast Broadband technology.

DEPUTY LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments				
			2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	11,388	9,400	408	1,580			
Projects Commencing 2014/15	1,135		566	569			
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**12,523**	**9,400**	**974**	**2,149**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Government Grants					
Department for Communities and Local Government (DCLG)	15				
DfE - Basic Need Grant	95				
Total External Sources	**110**				
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	138	500			
Strategic Investment Plan Reserve	172				
Unutilised RCCO Reserve	56	122			
SAP Development Reserve	40				
Digital Challenge Reserve		458			
Modernisation Reserve		1,000			
Capital Receipts	458	69			
Total Internal Sources	**864**	**2,149**			
TOTAL FINANCING	**974**	**2,149**			

DEPUTY LEADER
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
CP0114	Flexible Working Solutions	L St Louis	100	92	8				
CP0115	Digital Challenge	L St Louis	3,545	3,072	15	458			
CP0168	SAP Infrastructure	L St Louis	100	73	27				
CP0117	Revenue and Benefits system Ph 2	F Brown	400	228	172				
CP0116	SAP Archiving	L St Louis	105			105			
CP0119	Automated Court Bundle	E Waugh	30		30				
CP0120	Corporate Computing Model	L St Louis	5,935	5,797	138				
CP0121	Network Upgrade	L St Louis	30	11	2	17			
CP0122	Employee Self Service	L St Louis	500			500			
CP0123	Electronic Document Management	L St Louis	500			500			
CP0180	Corporate Computing Model Ph 2	L St Louis	143	127	16				
TOTAL CONTINUING PROJECTS			**11,388**	**9,400**	**408**	**1,580**			
	Projects Commencing 2014/15								
CP0181	IT Developments	L St Louis	1,000		431	569			
CP0192	Wider Network Upgrade	L St Louis	135		135				
TOTAL PROJECTS COMMENCING 2014/15			**1,135**		**566**	**569**			
TOTAL CAPITAL PROGRAMME			**12,523**	**9,400**	**974**	**2,149**			

CABINET SECRETARY
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

- A new kind of university city
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- 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

- Port Infrastructure - the Port purchased an available 33,000 square foot warehouse building within the Port estate which enabled the Port to immediately expand its asset base in a strategic location adjacent to the Greenwell's Quay river berth. Additionally, this has provided greater covered storage flexibility for both bulk and unutilised cargo handling opportunities and has also reduced revenue costs, as the Port was previously renting this asset from the previous owner.
- Port Dock Gate Repairs – Water levels in the Port's enclosed Hudson and Hendon Dock complex are maintained by two sets of dock gates which allow vessel access and egress across tidal window and for all vessels to safely remain afloat when berthed. Essential maintenance works have been carried to the Port's No1 Dock Gates which will help ensure the gates will remain fully operationally and will safeguard safe vessel navigation within the Dock complex.
- Roker Pier and Lighthouse – The second phase of works was completed to the pier. The pier deck was fully resurfaced and repairs to the structure, below the waterline, were undertaken to ensure that the 111 year old structure continues to withstand the North Sea. A 2nd stage HLF bid was submitted in December 2014 for a further £500,000. This funding will allow for a full restoration of the lighthouse and allow the lighthouse and tunnel to be opened as a visitor attraction. A decision from HLF is expected in March 2015.
- Seafront – Marine Walk Masterplan Phase 2 – Further public realm improvements were completed, including additional feature lights on the promenade.
- Provision for Economic Development provides financial assistance in the form of grants for businesses to start up and grow through supporting investment in premises and equipment, linked to job creation. Statistics for the last full year of the programme (2013/14) have demonstrated that support was offered to 12 companies and from this it was projected that 92 full time jobs would be created. This supports sustaining and further developing the local economy.
- The Property Planned Capital Maintenance programme has seen investment in more major building improvements including heating systems at Civic Centre, new sports floor at Raich Carter Centre, electrical works at Central Museum and Kayll Road Library, footpath resurfacing at Bishopwearmouth and Mere Knolls Cemeteries and renewal of the roof at the Council owned TRW factory at Rainton Bridge.
- Accelerated Low Water Corrosion is affecting riverside and coastal structures supporting footpaths and other infrastructure. The programme of assessment and repair has given a better understanding of their condition to allow measures to be planned and implemented to extend the life of the structures.

KEY MEDIUM TERM PRIORITIES

- Enhanced capital investment in Port infrastructure over recent years, has allowed the Port to diversify its commercial services into new market areas. The Port Board will aim to facilitate further expansion in line with spot market demand and also the securing of longer term contracts. This will include securing inward investment opportunities on the Port estate.
- The public investment at the Seafront over recent years and on-going, is assisting with boosting local economic activity with businesses reporting an increase in turnover following the improvement works and an increase in visitor numbers.
- The Property Planned Maintenance programme is developed from condition survey data of the council property portfolio and is designed to undertake works to the portfolio to prevent a catastrophic failure of a component and to replace items before they cause disruption to service delivery.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- As part of the continued effort to sustain the improvement of the Port of Sunderland's trading position, investment in both infrastructure and equipment will continue to improve operational efficiencies, reduce equipment hire costs and provide the necessary resources to enable the Port to better respond to spot market opportunities and those for the longer term.
- Investment in the property portfolio is essential to maintain the council's assets and to protect the investment the council has already made. Investment also ensures that the property meets its statutory requirements, protects the reputation of the council and delivers buildings that are fit for purpose and attractive to visit and occupy.
- Identifying and maximising external match funding opportunities where applicable.

CABINET SECRETARY
CAPITAL PROGRAMME

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Port Infrastructure – Land remediation works and further investment in the Port infrastructure will improve the attractiveness of the Port of Sunderland for inward investment opportunities in the offshore oil, gas and renewable sectors and also will provide greater operational flexibility in and around key assets such as its Greenwell's Quay river berth. Match funding has been secured from the European Regional Development Fund (ERDF) to carry out the expansion of reinforced cargo lay-down areas, improve road access in and out of the Port estate and carry out demolition works at the former Holystone site.
- Old Sunderland Townscape Heritage Initiative – This grant scheme is nearing completion, with the majority of restoration projects now complete. The Old Orphanage restoration was completed in 2014.
- Property Planned Capital Maintenance programme will carry out works to undertake the renewal of the cap to Fulwell Mill, replacement of the roof at Green Street Arcade and replacement of the fire alarm at the Independent Living Centre.

New Starts

- Investment in the Port's Infrastructure to enable continued access to existing and new commercial opportunities including increasing the range of cargos currently handled at the Port.
- Phase 3 of Marine Walk Masterplan to provide improvement to the footways from Roker Terrace to Marine Walk, remedial works to tackle traffic management issues, improvements to the land adjacent to the Yacht Club and relocation of the Marine Walk toilet block to the car park area which is also proposed to include a Change Place facility.
- Works to Seafront Lighthouse including Phase 4 of Roker Pier and Lighthouse which will allow the original railings on the pier to be restored and the modern railings replaced with historic replicas. Also capital repairs are required to the Seaburn Lighthouse.
- Continued investment on planned capital maintenance in order to prevent the ongoing degradation of the property portfolio.

CABINET SECRETARY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	24,202	8,869	10,950	2,313	690	690	690
Projects Commencing 2014/15							
Projects Commencing 2015/16	2,550			1,800	350	200	200
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**26,752**	**8,869**	**10,950**	**4,113**	**1,040**	**890**	**890**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	8,428	2,598	690	690	690
Government Grants					
BIG Coastal Communities Fund	106				
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	300				
ERDF	245	215			
Total External Sources	**9,079**	**2,813**	**690**	**690**	**690**
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	228				
Unutilised RCCO Reserve	754				
Capital Priorities Reserve	450				
New Homes Bonus Reserve	417				
Port Reserve		300			
Capital Receipts	22	1,000	350	200	200
Total Internal Sources	**1,871**	**1,300**	**350**	**200**	**200**
TOTAL FINANCING	**10,950**	**4,113**	**1,040**	**890**	**890**

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Port								
CP0145	Port Infrastructure	M Hunt	6,140	1,765	3,291	1,084			
CP0146	Dock Repairs	M Hunt	870	58	812				
CP0147	Road Repairs and Lighting	M Hunt	110	101	9				
CP0148	Miscellaneous Capital Plant and Equipment	M Hunt	510	301	209				
	Planning and Land Use								
CP0096	Old Sunderland Townscape Heritage Initiative	N Wood	2,327	1,645	682				
	Seafront								
CP0111	Roker Pier and Lighthouse Ph2	N Wood	1,403	432	971				
CP0100	Seafront - Marine Walk Masterplan Ph2	N Wood	4,397	2,120	1,798	479			
CP0144	Old North Pier Technical Investigation	L Clark	150	34	116				
	Economic Development Grants								
CP0103	Provision for Economic Development	T Hurst	5,025	689	1,906	360	690	690	690
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	F Serajian	3,070	1,724	956	390			
CP0107	Low Water Corrosion / Riverside Repairs	F Serajian	200		200				
TOTAL CONTINUING PROJECTS			**24,202**	**8,869**	**10,950**	**2,313**	**690**	**690**	**690**
	Projects Commencing 2015/16								
	Port								
CP0234	Port Infrastructure	M Hunt	300			300			
	Seafront								
CP0222	Seafront - Marine Walk Masterplan Ph3	N Wood	650			500	150		
CP0223	Seafront Lighthouses	N Wood	500			500			
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	F Serajian	1,100			500	200	200	200
TOTAL PROJECTS COMMENCING 2015/16			**2,550**			**1,800**	**350**	**200**	**200**
TOTAL CAPITAL PROGRAMME			**26,752**	**8,869**	**10,950**	**4,113**	**1,040**	**890**	**890**

CHILDRENS SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Ongoing delivery of the Asset Management Strategy with capital works around roofing, window replacement, heating improvements, fire detection works, water hygiene improvements and health and safety issues addressed in a number of nursery, primary, secondary and special schools across the city.
- Increased primary capacity in the Coalfields and Washington following completion of the expansions at Easington Lane Primary School and Biddick Primary School.
- Development of a 6th Form Block at Barbara Priestman Academy to reduce overcrowding on the main school site.
- Refurbishment of the Pallion Centre to facilitate the PRU move from the Cheadle Centre.

KEY MEDIUM TERM PRIORITIES

- To continue to address the most urgent condition priorities, health and safety work and major capitalised repairs in the secondary, primary, nursery and special school sector as identified from Children's Services Asset Management Planning 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.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- Effective commissioning arrangements ensure maximum cost efficiencies are made in works.
- Where possible capital investment is targeted towards refurbishment of existing facilities and redevelopment of former classrooms as opposed to new build and expansion.
- Continue to deliver a capital programme focused on energy efficiency and long term cost benefits (such as boiler and window replacement).

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

School asset management works:

- Our Lady Queen of Peace – Capital works to increase total school capacity to meet local demand for places.
- Priority Schools Building Programme (PSBP) - Ongoing asset management works include the delivery of works associated with at Hetton School Secondary, Hylton Castle Primary and Shiney Row Primary, including the delivery of a start-up initiative to replace furniture and heavy equipment in time for the opening of the new schools.
- Continuation of other capital works to meet asset management requirements identified in 2014.

Universal Infant Free School Meals (UIFSM):

- As part of the UIFSM Offer, production kitchens are being installed at John F Kennedy Primary School, Grindon Infant School and Bernard Gilpin Primary School.

New Starts

As part of the school asset management, the following projects will progress:

- Capital works to continue to provide window replacements, heating improvements, roofing works and urgent health and safety works at a number of maintained nursery, primary, secondary and special schools.
- Development of kitchen and dining facilities in maintained primary schools, including condition work and works to increase capacity of the kitchens.
- PSBP - Increased capacity at the new Shiney Row Primary School (with capacity to be increased from planned 305 pupils to 420 pupils) and development of an additional class base at the new Hylton Castle Primary School.
- Capital works to increase capacity at Columbia Grange Primary School to increase number of local primary places for children with ASD.
- Capital works in relation to increased capacity to respond to requirement for primary places in North Sunderland.
- Capital developments at the Cheadle Centre as part of the solution to capacity issues within Secondary ASD provision.

CHILDRENS SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments				
			2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	12,508	4,939	5,238	2,331			
Projects Commencing 2014/15	4,002		1,461	1,003	1,538		
Projects Commencing 2015/16	508				508		
Projects Commencing 2016/17	533				533		
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**17,551**	**4,939**	**6,699**	**3,334**	**2,579**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Government Grants					
DfE - Capital Maintenance Grant	1,174	2,524	1,420		
DfE - Basic Need Grant	3,117	306	1,159		
DfE - Schools DFC Grant	1,238	504			
DfE - 2 Year Old Offer	553				
DfE - Short Breaks	36				
Universal Free School Meals	443				
Total External Sources	**6,561**	**3,334**	**2,579**		
FROM INTERNAL SOURCES					
Reserves					
Unutilised RCCO Reserve	20				
S106 Reserve	118				
Total Internal Sources	**138**				
TOTAL FINANCING	**6,699**	**3,334**	**2,579**		

CHILDRENS SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
	Continuing Projects								
	DFC								
CP0085	Schools Devolved Capital	B Scanlon	5,708	4,470	1,238				
	Primary School Asset Management								
CP0212	Lambton Primary - Phase 2 External/Internal Alterations	B Scanlon	50		50				
CP0212	Biddick Primary Phase 3 - Extension/Internal Alterations	B Scanlon	442	34	408				
CP0212	Easington Lane Primary - Extension/Internal Alterations	B Scanlon	827	23	804				
CP0212	Our Lady Queen of The Peace	B Scanlon	918		100	818			
CP0212	Primary Schools Other	B Scanlon	1,014	163	838	13			
	Other Asset Management								
CP0211	Nursery School Asset Management	B Scanlon	46		46				
CP0088	Secondary School Asset Management	B Scanlon	150		85	65			
CP0214	Special School Asset Management	B Scanlon	12		12				
CP0213	Thornhill School - Pool Heating Plant	B Scanlon	89		89				
CP0214	Barbara Priestman - Extension/Internal Alterations	B Scanlon	413		413				
CP0214	Pallion Pupil Referral Unit-Major Refurb	B Scanlon	236		236				
CP0206	Electricity at Work	B Scanlon	74	20	54				
CP0088	Priority Schools Building Programme – Setting up costs	B Scanlon	850		175	675			
CP0088	Priority Schools Building Programme – Shiney Row Primary School	B Scanlon	690			690			
CP0088	School Asset Management Programme Unallocated	B Scanlon	81		81				
	Other								
CP0089	Capita One V4 Upgrade	B Scanlon	185	165	20				
CP0092	Short Breaks Provision for Disabled Children	L Sahota	100	64	36				
CP0088	Derwent Hill	B Scanlon	70			70			
CP0154	Two Year Old Offer	B Scanlon	553		553				
TOTAL CONTINUING PROJECTS			**12,508**	**4,939**	**5,238**	**2,331**			

CHILDRENS SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2014/15								
	DFC								
CP0085	Schools Devolved Capital	B Scanlon	504			504			
	Asset Management								
CP0088	Primary School Asset Management	B Scanlon	124		124				
CP0088	Electricity at Work	B Scanlon	70		70				
CP0088	Access Equipment	B Scanlon	25		25				
CP0088	Asbestos Removal	B Scanlon	104		104				
CP0088	Water Hygiene Improvements	B Scanlon	50		50				
CP0088	Asset Management Unallocated	B Scanlon	2,015		88	389	1,538		
CP0088	Priority Schools Building Programme – Hylton Castle Primary School	B Scanlon	110			110			
	Other								
CP0190	Universal Infant Free School Meals	B Scanlon	750		750				
CP0088	Edit Core Infrastructure	B Scanlon	250		250				
TOTAL PROJECTS COMMENCING 2014/15			**4,002**		**1,461**	**1,003**	**1,538**		
	Projects Commencing 2015/16								
CP0088	School Asset Management Programmes - unallocated - 2015/2016 Allocation	B Scanlon	508				508		
TOTAL PROJECTS COMMENCING 2015/16			**508**				**508**		
	Projects Commencing 2016/17								
CP0088	School Asset Management Programmes - unallocated - 2016/2017 Allocation	B Scanlon	533				533		
TOTAL PROJECTS COMMENCING 2016/17			**533**				**533**		
TOTAL CAPITAL PROGRAMME			**17,551**	**4,939**	**6,699**	**3,334**	**2,579**		

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Continuing the delivery of the Council's area renewal programme.
- Continuing the delivery of the empty property programme.
- Working closely with all its partners as well as the loan administrator to ensure consistency of support for homeowners needing financial help to ensure their home is of a decent standard and apply the criteria outlined in the Financial Assistance Policy.
- Continuing the delivery of Disabled Facilities Grants.
- Delivering the objectives of Affordable Warmth Action Plan, compiled in conjunction with our strategic partners, that will focus on reducing fuel poverty and reducing the numbers of excess winter deaths

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- There have been 4 additional acquisitions of land and homes at Hetton Downs through SHIP and Homes and Communities Agency (HCA) funding. These have contributed to site assembly for new housing. New Homes Bonus funding is being used to bring the road at Fairy Street (Hetton Downs) to an adoptable standard – with work to commence in January 2015.
- Empty Properties Fund – 204 empty homes have been refurbished and have been reoccupied through DCLG/HCA and Council New Homes Bonus Funding.
- 499 Disabled Facilities Grants have been awarded to date in 2014/2015 allowing much needed adaptations to be carried out to properties allowing people to remain in their homes.

KEY MEDIUM TERM PRIORITIES

- 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 for habitation in the private housing sector particularly targeting standards in the private rented sector in line with the findings of the private sector housing stock condition survey 2014.
- Encourage more private landlords to become accredited and raise housing conditions and standards in the private sector.
- Bring empty properties back into use.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- Empty homes are a wasted resource and still attract some Council Tax discounts while they are empty for the initial period. Bringing them back to use provides much needed housing and brings income into the Council via Council tax and New Homes Bonus.
- Safe and healthy homes prevent costly health care.
- Working in partnership with private landlords brings investment into the City.
- The Regional Loans Scheme Programme enables a number of homeowners to remain in their own homes and is therefore linked to health services and public health.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Regional Loans Scheme linked to the Financial Assistance Policy – as at January 2015 a total of 23 loans have been given to homeowners in Sunderland to ensure their homes meet the decent homes standard. The loans repaid by homeowners to the Loans Administrator, are re-invested back so are available for other potential homeowners. Sunderland City Council acts as lead authority for the 12 NE Local Authorities participating in the scheme.
- Area Renewal continues with the acquisition of properties at Maudlin Street, the former Dairy, and possibly Gentoo sites at Hetton Downs and land required for the Northern Access Road. The acquisition and refurbishment of empty homes in Fairy, Edward and Caroline Streets in Hetton Downs which commenced in 2015 and the road at Fairy Street will be brought to an adoptable standard in spring 2015.

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

- Empty Properties Action Plan - Back on the Map has provided funding to acquire and refurbish 5 empty properties to rehouse homeless families - two have been acquired to date.
- Empty Homes Clusters Scheme - New Homes Bonus and HCA funding has been awarded to refurbish 70 properties by March 2015. To date 19 homes have been refurbished with 51 applications going through the process. Funding is also provided for equity loans for owners of empty properties to refurbish them and bring them back into use.
- Low Carbon Social Housing Scheme – an EDRF funded scheme working with Gentoo on 96 properties in Washington to provide heating powered by a biomass boiler along with associated works to the properties including new roofs and double glazed windows.

New Starts

- Regional Loans Scheme – a further contribution to meeting the requirements of the Financial Assistance Policy to enable decent homes works and for homes where there is serious disrepair to be carried out.
- Disabled Facilities Grants carry out adaptions to disabled person's properties to help ensure that people can remain in their own properties for as long as possible in a safe and secure environment.
- Minor Works - establishment refurbishment works to maintain standards of provision for residential and day care and enhancing service delivery.
- Reablement Services – it is proposed to accelerate the expansion of reablement services in the city with Health partners.

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	12,229	7,355	2,574	2,300			
Projects Commencing 2014/15	5,033		4,649	384			
Projects Commencing 2015/16	3,510			3,435	75		
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**20,772**	**7,355**	**7,223**	**6,119**	**75**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Government Grants					
Better Care Fund Grant / DoH Disabled Facilities & Other Grant	2,461	2,660			
DoH - ICT Grant	198				
English Partnership / SHIP	226				
Other Government Grants	18				
Grants from Other Public Bodies					
ERDF	1,570				
Homes and Communities Association (HCA)	1,155	2,300			
Other External Funding					
Other Grants	250	130			
Total External Sources	**5,878**	**5,090**			
FROM INTERNAL SOURCES					
Revenue Contributions					
General Fund		270			
Directorate	300	300			
Reserves					
Strategic Investment Plan Reserve	17				
Working Neighbourhoods Reserve	39				
New Homes Bonus Reserve	969	75	75		
S106 Reserve		384			
Capital Receipts	20				
Total Internal Sources	**1,345**	**1,029**	**75**		
TOTAL FINANCING	**7,223**	**6,119**	**75**		

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Adult Services								
CP0060	Swift Enhancements	G King	819	762	57				
CP0061	Managing Income	G King	22	13	9				
CP0062	Telecare	G King	105		105				
CP0063	Adults Information System	G King	50	8	42				
CP0079	Document Management System (Road Map)	G King	116	69	47				
CP0065	Private Sector Renewal Grants	A Caddick	300	285	15				
CP0066	Mobile Portal	G King	199	185	14				
CP0069	Sunderland Energy Efficiency Program (SEEP)	A Caddick	66	37	29				
CP0078	Minor Works (Improvements to Care and Support)	G King	150	139	11				
CP0081	Regional Loans Scheme	A Caddick	302	157	145				
CP0078	Minor Works (Improvements to Care and Support)	G King	150	147	3				
	Housing Services								
CP0071	Eppleton (SHIP)	N Wood	1,064	853	211				
CP0072	Hetton Downs (HCA)	N Wood	8,038	4,583	1,155	2,300			
CP0077	Empty Property Action Plan	N Wood	387	39	348				
CP0083	Cluster of Empty Homes	N Wood	461	78	383				
TOTAL CONTINUING PROJECTS			**12,229**	**7,355**	**2,574**	**2,300**			
	Projects Commencing 2014/15								
CP0078	Minor Works (Improvements to Care and Support)	G King	150		150				
CP0080	Disabled Facilities Grants 2014/15	A Caddick	2,336		2,336				
CP0202	Low Carbon Energy Sunderland Social Housing Project	A Caddick	1,570		1,570				
CP0201	Prevention Works - Traveller Sites	A Caddick	20		20				
CP0215	Empty Properties - Hetton Downs	N Wood	939		555	384			
CP0239	Autism Innovation	G King	18		18				
TOTAL PROJECTS COMMENCING 2014/15			**5,033**		**4,649**	**384**			
	Projects Commencing 2015/16								
CP0078	Minor Works (Improvements to Care and Support)	G King	150			150			
CP0080	Disabled Facilities Grants 2015/16	A Caddick	2,999			2,999			
CP0157	Reablement Services	G King	211			211			
CP0220	Decent Homes	A Caddick	150			75	75		
TOTAL PROJECTS COMMENCING 2015/16			**3,510**			**3,435**	**75**		
TOTAL CAPITAL PROGRAMME			**20,772**	**7,355**	**7,223**	**6,119**	**75**		

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Billy Hardy Pavilion - Provision of modern changing facilities with an increased capacity, facilitating an increase in numbers participating in football and cricket at the venue.
- Northern Area Pavilion - Provision of modern changing facilities with an increased capacity, facilitating an increase in participation in football at the venue.
- Seafront illuminations - Over 148,500 visitors attended the third Seafront Illuminations over its six weeks of operation (September-November 2014), establishing it firmly as one of the City's main events attractions, second only to Sunderland International Airshow in terms of visitor numbers.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Washington Leisure Centre – The building facility is anticipated to be ready for opening May 2015. Phase two comprising the external works, playing areas and car parking together with the demolition of the existing building is programmed to be completed by November 2015.
- St Peter's Public Realm (Wearmouth Jarrow) - The Landscape improvements, including works to interpret the monastic footprint and new feature lighting to the Church, will provide an improved setting for this historic church and surrounding site, celebrating the importance that Sunderland played in the early development of Christianity in Britain.
- Library redesign works will see improved access to services which include, updated ICT provision, the introduction of the e-book and e-audio book service and free wi-fi in static libraries.
- Hylton Castle Redevelopment – Round One Development Works prior to a submission to the HLF August 2015 for funding to support the development of phase two to repair, redevelop and rejuvenate the medieval gatehouse, providing a centre for interpretation, events, exhibitions and activities that will reconnect the history of the castle with the community and the city.
- Fulwell Acoustic Mirror – Funded through grant from English Heritage and Heritage Lottery, the restoration of this important piece of First World War infrastructure will safeguard the future of one of the last remaining First World War Mirrors in England.
- City Centre Illuminations - Investment in additional lighting, lighting features and attractions as well as related infrastructure will strengthen the lighting offer in Keel Square and its environment as well as other main hubs of the City Centre Christmas Programme. Council investment will provide a foundation for further investment from the City Centre business community and other related interests.
- Canny Space Project - Support for the Churches Conservation Trust HLF Capital Redevelopment for Holy Trinity Church.

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

New Starts

- The 2014 Roker Park Illuminations achieved great success in attracting over 148,500 visitors in six weeks. It is proposed to build on this success and further improve the 2015 illuminations with a £0.170m investment. This will enable extension of the high quality feature lighting offer throughout Roker Park including a transition to a maritime theme in order to support the build-up to the 2018 Tall Ships and investment in low cost, low maintenance programmable LED lighting along the seafront promenade area.
- Leisure Joint Venture - As part of the proposals for creating a joint venture for the delivery of leisure services, the Council will be providing capital investment of £2m alongside investment from the partner that will be utilised to increase the capacity and opportunities for citizens to participate in sport and health activities.

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	15,169	3,563	9,722	1,884			
Projects Commencing 2014/15	640		340	300			
Projects Commencing 2015/16	2,170			2,170			
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**17,979**	**3,563**	**10,062**	**4,354**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	9,140	3,884			
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	115				
Football Foundation	20				
Sport England	15				
Other External Funding					
Other Grants	45				
Total External Sources	**9,335**	**3,884**			
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	135				
Strategic Investment Plan Reserve	175				
Unutilised RCCO Reserve	77				
Capital Priorities Reserve	340	300			
Working Neighbourhoods Reserve		170			
Total Internal Sources	**727**	**470**			
TOTAL FINANCING	**10,062**	**4,354**			

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
	Continuing Projects								
	Sports Facilities								
CP0044	Billy Hardy Pavillion	A Caddick	553	390	163				
CP0044	Northern Area Pavillion	A Caddick	560	513	47				
CP0053	Washington Leisure Centre	F Brown	11,300	1,925	7,926	1,449			
CP0178	Stadium Aquatic Centre	M Poulter	296	161	135				
	Culture and Tourism								
CP0051	St Peter's Public Realm (Wearmouth Jarrow)	N Wood	1,700	151	1,129	420			
CP0052	Bowes Railway Museum Wagonshop Repairs	D Napier	35		35				
CP0158	Library Redesign	B Scanlon	500	403	97				
CP0176	Hylton Castle Redevelopment	A Caddick	165	5	145	15			
CP0199	Fulwell Acoustic Mirror	N Wood	60	15	45				
TOTAL CONTINUING PROJECTS			**15,169**	**3,563**	**9,722**	**1,884**			
	Projects Commencing 2014/15								
CP0200	Seafront Illuminations	P Spooner	170		170				
CP0209	City Centre Illuminations	P Spooner	170		170				
CP0219	Canny Space Project	A Caddick	300			300			
TOTAL PROJECTS COMMENCING 2014/15			**640**		**340**	**300**			
	Projects Commencing 2015/16								
CP0236	Illuminations	P Spooner	170			170			
CP0240	Leisure JV Investment	A Caddick	2,000			2,000			
TOTAL PROJECTS COMMENCING 2015/16			**2,170**			**2,170**			
TOTAL CAPITAL PROGRAMME			**17,979**	**3,563**	**10,062**	**4,354**			

CITY SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Maintaining the existing highway including its bridges and structures in a safe and serviceable condition.
- Securing the safe and efficient movement and appropriate access for goods and people using the city's highways.
- Securing improvements to existing highways and the construction of new highways.
- Maintaining and enhancing coastal and seafront structures.
- Collecting and managing household waste in a sustainable and efficient manner.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

The following schemes have been completed, or are expected to have been completed, by the end of March 2015:

Transport:

- Completion of the Highway Maintenance Programme which included over 90 road strengthening and footway reconstruction schemes.
- Bridge Maintenance – Completion of repair and refurbishment of Manor Road and Burdon Road bridges and St Mary's Way rail tunnel overslab.
- Improving the traffic management at key junctions supporting economic growth - Southern Bridgehead of the Wearmouth Bridge, A19/A183, A19/A690, A1290/Nissan Way, and A1290/Cherry Blossom Way.
- Provision of an extensive new network of cycleways connecting Washington, North Sunderland and South Tyneside providing sustainable transport access to the Enterprise Zone and automotive industry cluster and connecting to the wider Washington cycle network.
- Flood and Extreme Weather Mitigation – Implementation of a range of flood and drainage improvement measures to reduce localised flood risk. Completion of a number of flood studies to identify causes of flooding and potential flood risk reduction measures. Construction of deep access shafts to Hendon Burn culvert to improve monitoring and maintenance.

Waste Management:

- Completion of the new Waste Transfer Station which now provides waste to the new Energy from Waste Plant at Teesside from council sites at Jack Crawford House and Campground, Springwell, resulting in a reduction to landfilling by 95%.

Coast Protection:

- South Bents to Seaburn. Repairs and improvements to coastal defence and promenade following damage caused in tidal surge of December 2013.

Play Provision:

- Play area upgrades and refurbishment has been completed at the following play areas utilising S106 contributions
    - Herrington Country Park,
    - Herrington Colliery Welfare,
    - Barnwell
    - Holley Park.

  The works have included installation of new / replacement play equipment; new safety surfacing and significant ground works to address drainage and erosion issues.
- A more substantial refurbishment project was completed at Seldom Seen play area in Springwell following a six week closure of the park, the project was jointly funded following the award of a grant from the SITA Trust.

KEY MEDIUM TERM PRIORITIES

- 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 the New Wear Crossing.
- Structural highway maintenance works to roads, footways and structures.
- Continue to support plans for the regeneration of the City Centre, River Corridor and Enterprise Zone and to support housing growth.
- Improve cycling provision across the city.

CITY SERVICES
CAPITAL PROGRAMME

- Development of a programme of flood defence and drainage measures in response to increased flooding incidents.
- An efficient and fit for purpose vehicle fleet to deliver front line services.
- Coast Protection Works to protect coastal assets.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Commence the construction of the second phase of the Sunderland Strategic Transport Corridor (New Wear Bridge).
- Continue the programme of investment in schemes to improve the safety of highway users.
- Continue the programme of investment in schemes to improve the condition of highways and their structures.
- Continue the programme of investment in schemes to improve conditions for cyclists and to promote sustainable transport.
- Development of Route Action Plans for highway network management enhancements.
- Continue the programme of Public Transport Initiatives.
- Works to mitigate the effect of extreme weather conditions such as the installation of new drainage systems, repair highways drainage networks, consolidation of unstable land and creating physical barriers for surface water to run off land.
- The regeneration of Rectory Park in Houghton to be carried out subject to successful Heritage Lottery Fund grant applications.
- Upgrading the equipment and physical appearance of the crematorium.
- Coast protection works to prevent coastal erosion and flooding that may adversely impact residential and business properties.
- Replacement of safety fences at priority locations identified, to ensure that public safety is not compromised.
- Progress the design and development of the Sunderland Strategic Corridor Phase 3 scheme linking the New Wear Bridge to the City Centre.
- Replacement of fleet and plant used to deliver front line services.
- Play area upgrades and refurbishment at the following play areas:
    - Sunderland Adventure Centre (Silksworth),
    - St Matthews Playing Field (Silksworth),
    - Marley Potts (Southwick),
    - Shakespeare Street (Southwick)
    - Albany Park.

  Works include the installation of new / replacement play equipment, new safety surfacing and significant ground works to address drainage and erosion issues.

  A more substantial project is being undertaken at Princess Anne Park which will involve the installation of new fixed play provision to enhance the existing wheeled sports park.

New Starts

- Create a new gateway scheme at the North side of the Wearmouth Bridge, introducing two way traffic on North Bridge Street and Dame Dorothy Street.
- Replacing the footbridge at Glebe Estate with a pedestrian crossing to allow for housing regeneration on site.
- Provision of new parking meters for the increased city centre and resorts parking.
- Replacement of safety fences at priority locations to ensure public safety is not compromised.
- Build a new more efficient covered facility for the storage of road treatment salt.
- Installation of an in-cab GIS information system for waste collection vehicles linked to the Customer Service Network which will improve performance and customer satisfaction.
- Replacement of split body recycling vehicles to continue the Council's existing service provision.
- Replacement of garden waste collection vehicles to continue the Council's existing service provision.
- Replacement horticultural equipment for aged cutting equipment to increase reliability.
- Replacement of approximately 23,000 residential lighting units to LED which will reduce the Council's future energy costs and also provide white–light that allows greater colour rendition, allowing people to see better, enhancing the sense of safety and enabling improved vision on CCTV viewing and recording.

CITY SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.14 £'000	Estimated Payments 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
MAIN BLOCK							
Continuing Projects	147,283	21,293	13,587	43,914	56,562	11,327	600
Projects Commencing 2014/15	63,283	178	15,532	4,733	4,340	4,500	34,000
Projects Commencing 2015/16	19,647			8,937	8,670	1,940	100
Projects Commencing 2016/17	3,031				3,031		
Projects Commencing 2017/18	2,939					2,939	
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**236,183**	**21,471**	**29,119**	**57,584**	**72,603**	**20,706**	**34,700**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	11,228	11,323	11,816	11,068	600
Salix		2,250	2,170		
Government Grants					
DfT - Local Transport Plan (LTP)	5,975	5,000	3,031	2,939	
DfT - S31 Transport Grant		33,967	48,596		
DfT - Local Sustainable Transport Fund (LSTF)	210				
DfT - Sustrans	75				
DfT - Pothole Grant	127				
Regional Growth Fund (RGF)	6,974				
Local Pinch Point (LPP)	1,157				
Coast Protection	731	283	700		
Local Growth Fund (LGF)			2,000	4,500	34,000
Other Government Grants		30			
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)		391	1,350	959	
Homes and Communities Association (HCA)	10				
Nexus LTP	511				
Other External Funding					
Other Grants	60				
Total External Sources	**27,058**	**53,244**	**69,663**	**19,466**	**34,600**
FROM INTERNAL SOURCES					
Revenue Contributions					
Strategic Initiative Budget	89				
Reserves					
Strategic Investment Reserve	397				
Strategic Investment Plan Reserve	609	53	950	1,140	
Unutilised RCCO Reserve	426	847	142		
Capital Priorities Reserve		289	420		
Stadium Park Transfer Reserve	20	1,138			
Working Neighbourhoods Reserve		1,094	398	100	100
S106 Reserve	520	169			
Capital Receipts		750	1,030		
Total Internal Sources	**2,061**	**4,340**	**2,940**	**1,240**	**100**
TOTAL FINANCING	**29,119**	**57,584**	**72,603**	**20,706**	**34,700**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Major Highway Schemes								
CP0003	SSTC Ph2 (New Wear Bridge)	L Clark	117,600	11,639	3,700	40,401	52,092	9,768	
	Local Transport Plan								
CP0005	Integrated Transport - Electric Vehicle Charging Points	L Clark	163	136	27				
CP0024	Highway Maintenance	L Clark	10,560	7,560	600	600	600	600	600
CP0025	Bridge Maintenance	L Clark	834	221	613				
CP0026	Integrated Transport - Economy	L Clark	110	90	20				
CP0027	Integrated Transport - Place	L Clark	1,440	389	488	563			
CP0006	Public Transport Schemes	L Clark	157	96	61				
CP0036	Additional Transport Priorities	L Clark	1,000				1,000		
CP0030	Local Sustainable Transport Fund - Safer School Routes	L Clark	430	220	210				
CP0032	Upgrade of C2C Cycleway (HCA)	L Clark	542	532	10				
CP0033	Coalfields Cycle Route	L Clark	60		60				
CP0163	Houghton Cut Safety Works	L Clark	30		30				
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	1,950	240	1,210	500			
	Parks								
CP0037	Thompson Park - Former Park Keepers House	F Serajian	49	3	46				
CP0162	Herrington Park Infrastructure	L Clark	150		150				
CP0164	Parks Improvement	L Clark	3,000	6	35	500	1,500	959	
	Street Scene								
CP0009	Private Streetworks	L Clark	50		50				
CP0165	Waste Transfer Station	L Clark	5,701	6	5,695				
CP0161	Improvements to the Crematorium	L Clark	140		40		100		
	Coast Protection								
CP0016	Hendon Burn Culvert Safety Works	L Clark	360	134	226				
CP0038	South Bents to Seaburn (SF1)	L Clark	120	21	99				
CP0039	Hendon Foreshore Barrier	L Clark	1,460		100	700	660		
CP0159	Port Revetments and Stone Hill Wall	L Clark	1,360		100	650	610		
CP0195	Whit Bay to Ryhope Site Investigations	L Clark	12		12				
	Play Provision								
	Play and Urban Games Strategy :								
CP0023	North Area Skate Park	A Caddick	5		5				
TOTAL CONTINUING PROJECTS			**147,283**	**21,293**	**13,587**	**43,914**	**56,562**	**11,327**	**600**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2014/15								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,166		2,166				
CP0025	Bridge Maintenance	L Clark	500		412	88			
CP0026	Integrated Transport - Economy	L Clark	493		493				
CP0027	Integrated Transport - Place	L Clark	469		469				
CP0028	Integrated Transport - People	L Clark	445		445				
CP0006	Public Transport Schemes	L Clark	450		450				
CP0187	Low Carbon Enterprise Zone Transport Infrastructure	L Clark	8,810	178	8,632				
CP0184	Safety Fencing Replacement	L Clark	200		200				
CP0216	Sunderland Riverside, Stadium Park	L Clark	1,158		20	1,138			
CP0194	SSTC Ph3	L Clark	45,000		600	2,000	3,900	4,500	34,000
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	500		500				
	Street Scene								
CP0185	Fleet Replacement	L Clark	1,560		682	438	440		
CP0186	Replacement of Cremators	L Clark	900			900			
	Play Provision								
CP0189	Other Play Provision Schemes	A Caddick	632		463	169			
TOTAL PROJECTS COMMENCING 2014/15			**63,283**	**178**	**15,532**	**4,733**	**4,340**	**4,500**	**34,000**
	Projects Commencing 2015/16								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,150			2,150			
CP0025	Bridge Maintenance	L Clark	483			483			
CP0026	Integrated Transport - Economy	L Clark	512			512			
CP0027	Integrated Transport - Place	L Clark	512			512			
CP0028	Integrated Transport - People	L Clark	255			255			
CP0226	North Bridge Street Two Way Traffic System	L Clark	4,000			300	3,000	700	
CP0228	Footbridge Removal, Glebe Estate	L Clark	250			250			
CP0232	Parking Meters	L Clark	125			125			
CP0237	Safety Fencing Replacement	L Clark	400			100	100	100	100
	Street Scene								
CP0227	New Salt Barn	L Clark	1,500			500	1,000		
CP0229	Recycling Fleet Replacement	L Clark	2,090				950	1,140	
CP0230	Garden Waste Collection Fleet Replacement	L Clark	840			420	420		
CP0231	Replacement Horticultural Equipment	L Clark	200			200			
CP0233	In Cab GIS Information System	L Clark	130			130			
CP0239	Street Lighting - Energy Saving Project	L Clark	6,200			3,000	3,200		
TOTAL PROJECTS COMMENCING 2015/16			**19,647**			**8,937**	**8,670**	**1,940**	**100**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2016/17								
	Local Transport Plan								
CP0024	Highway Maintenance allocation	L Clark	3,031				3,031		
TOTAL PROJECTS COMMENCING 2016/17			**3,031**				**3,031**		
	Projects Commencing 2017/18								
	Local Transport Plan								
CP0024	Highway Maintenance allocation	L Clark	2,939					2,939	
TOTAL PROJECTS COMMENCING 2017/18			**2,939**					**2,939**	
TOTAL CAPITAL PROGRAMME			**236,183**	**21,471**	**29,119**	**57,584**	**72,603**	**20,706**	**34,700**

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Continuing to provide and develop the infrastructure that supports the delivery of the Council's improvement priorities.
- Providing a seamless customer interface across all channels of access that resolves demand at the earliest possible opportunity and at the lowest cost providing accessible, consistent, responsive and high quality services.
- Developing an intelligence approach across the Council and with partners to ensure need is being met, outcomes are being achieved and there is a better evidence base to inform decision making.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Delivery of the Customer Services Work Programme resulting in improved customer choice and experience, increased self-serve and the realisation of efficiency savings.

KEY MEDIUM TERM PRIORITIES

- Implementation of the Customer Service and Access Strategy action plan.
- Delivery of the intelligence approach.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The implementation of the integrated technology platform will enable the wide-scale development of web self-serve and the associated benefits of channel shift.
- The development of the intelligence approach will better target resource, inform more intelligent commissioning and provide a better evidence base to inform decision making.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Ongoing provision and development of the customer services technology platform to continue to improve the quality and accessibility of services.
- Delivery of the intelligence approach to allow the Council to develop more refined, quicker and cheaper ways of gathering data to inform decision making.

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.14	Estimated Payments				
			2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	3,649	859	1,521	1,269			
Projects Commencing 2014/15							
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
TOTAL CAPITAL EXPENDITURE	**3,649**	**859**	**1,521**	**1,269**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	1,430	1,269			
Total External Sources	**1,430**	**1,269**			
FROM INTERNAL SOURCES					
Reserves					
Unutilised RCCO Reserve	91				
Total Internal Sources	**91**				
TOTAL FINANCING	**1,521**	**1,269**			

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.14	Estimated Payments				
					2014/15	2015/16	2016/17	2017/18	2018/19
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Customer Care								
CP0057	Customer Service Network Platform	L St Louis	950	859	91				
CP0193	Intelligence Hub	L St Louis	2,699		1,430	1,269			
TOTAL CONTINUING PROJECTS			**3,649**	**859**	**1,521**	**1,269**			
TOTAL CAPITAL PROGRAMME			**3,649**	**859**	**1,521**	**1,269**			

Appendix 4

Prudential and Treasury Indicators 2015/2016 to 2017/2018

All of the prudential indicators fully reflect regulatory requirements. 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 2013/2014 was £51.015 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Capital Expenditure	95.070	111.770	87.497	21.596

The capital expenditure plans set out in Appendix 3 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. The estimated spend is based on grant awards received and the profile of expenditure will be updated in the quarterly capital reviews to Cabinet as further grants awards are announced and 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 2013/2014 are:

Ratio of financing costs to net revenue stream

2013/2014 Actual	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate	2017/2018 Estimate
6.95%	7.95%	10.60%	13.65%	15.67%

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

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

P3 Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31st March 2014 are:

Capital Financing Requirement

31/03/14 £000 Actual	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate	31/03/18 £000 Estimate
270,602	310,990	343,389	365,400	361,052

The Capital Financing Requirement is the historic outstanding capital expenditure which has not yet been paid for from revenue or capital resources. It measures the authority's underlying need to borrow for a capital purpose. It does not increase indefinitely as it is decreased by the Minimum Revenue Provision which broadly reduces the borrowing need in line with each assets life. The increase in the Capital Financing Requirement reflects the underlying borrowing need in respect of funding proposals in the capital programme reports.

The Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases). 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 £28.077 million of such schemes included in its Capital Financing Requirement at 31st March 2014.

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

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

The Authority had no difficulty meeting this requirement in 2013/2014, 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 2015/2016.

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. These limits must 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 Director of Finance, 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 available meeting.

	Authorised Limit for External Debt			
	2014/2015 £000	2015/2016 £000	2016/2017 £000	2017/2018 £000
Borrowing	410,945	426,719	436,130	440,436
Other long term liabilities	29,178	27,508	26,509	26,289
Total	**440,123**	**454,227**	**462,639**	**466,725**

The Director of Finance confirms that the above 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 Director of Finance 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 and refinancing of all internal borrowing. 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.

The Council also 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 the Council'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. The capital expenditure and borrowing of companies where the Council has an interest such as Siglion, Sunderland Care and Support Ltd, and Sunderland Live Ltd is not included within the Council's prudential indicators, however regard to the financial commitments and obligations to those bodies is taken into account when deciding whether borrowing is affordable.

In taking its decisions on the Revenue Budget and Capital Programme for 2015/2016, the Council is asked to note that the authorised limit determined for 2015/2016, (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. 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 flow movements. It equates to the projected maximum external debt and 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 requested to delegate authority to the Director of Finance, 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 in P5.

The operational boundary limit will be closely monitored and a report will be made to Cabinet if it is exceeded at any point in the financial year ahead. 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 exceeded temporarily as a result of the timing of debt rescheduling.

	Operational Boundary for External Debt			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
	£000	**£000**	**£000**	**£000**
Borrowing	302,575	332,537	342,487	350,007
Other long term liabilities	29,178	27,508	26,509	26,289
Total	**331,753**	**360,045**	**368,996**	**376,296**

P7 The Council's actual external debt at 31st March 2014 was £238.344 million and was made up of actual borrowing of £210.267 million and actual other long term liabilities of £28.077 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 internal borrowing and cash flow variations.

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

	For Band D Council Tax	
2015/2016	**2016/2017**	**2017/2018**
£1.28	£6.06	£8.61

The estimates show the net revenue effect of all capital expenditure from all schemes commencing in 2015/2016 and the following two financial years.

These are forward estimates that the Council is not committed to. They are based on the existing commitments, current plans and the capital plans detailed in this report. The cumulative effect of full year debt charges will have an additional impact of £10.55 in 2018/2019. There are no known significant variations beyond the above timeframe that would result from past events and decisions or the proposals in the budget report.

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

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 2015/2017 to 2017/2018

P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £245 million in 2015/2016, £255 million in 2016/2017 and £245 million in 2017/2018.

P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £60 million in 2015/2016, £48 million in 2016/2017 and £56 million in 2017/2018.

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 (2015/2016, 2016/2017 and 2017/2018) 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 7).

At present the Council has £21.420m of long-term investments. This is £16.400m for the value of share capital held in NIAL Holdings PLC (a 9.62% share), a £5.000m equity investment in Siglion (a 50% share) and the Council also holds £0.020m in government securities, other shares and unit trusts.

Minimum Revenue Provision Policy Statement 2015/2016

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

1.1 Provision for the repayment of debt is considered to be prudent where the period of repayment is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Grant, reasonably commensurate with the period implicit in the determination of that grant. The major proportion of the MRP for 2015/2016 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 schemes 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 2015/2016, having considered all of the options available to the Council, it is proposed that the Council use Option 1 (the Regulatory Method) for government supported borrowing.

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

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

1.5 The Council currently follows the criteria set out below for all borrowing where no government support is given and is therefore self-financed and provides an increased voluntary MRP:

- In cases where a full option appraisal shows borrowing to offer better value for money than leasing, MRP is based on the payment period that would have arisen had a lease been taken out instead of a loan;

- In the case of any form of grants, deposits or loans made for capital purposes that have been given in earlier years and any new grants, deposits or loans that may be made for which borrowing is taken out. MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided. This option is used for spend such as existing loans provided to Wearside College, mortgages provided in earlier years to householders under Right to Buy regulations, and capital spend in relation to loans, deposits and other grants made to support economic regeneration:

- An additional voluntary MRP to be made where the Director of Finance determines that such a payment will reduce future years debt repayment requirements and provide value to the Council. This action, if used, would be reported to Cabinet accordingly.

The depreciation method for calculating MRP (option 4) is subject to volatility when asset lives are reassessed as part of the revaluation process. Therefore, in other cases where unsupported borrowing is used to finance capital schemes the asset life method of determining MRP (option 3) will be used, with the MRP charge commencing in the financial year following the one in which the asset comes into service.

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

1.7 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 making MRP repayments using the criteria detailed in 1.5 above.

1.8 Accounting standards require assets purchased through finance leases and PFI contracts to be included on 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. 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.

1.9 In summary, it is recommended that the Council approves the following Minimum Revenue Provision Statement 2015/2016:

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 Director of Finance in consultation with appropriate officers.

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

d) The Council will vary MRP payments to that indicated by the adoption of Option 3, with reference to the Council’s framework detailed in 1.5 above.

Appendix 6

Treasury Management Policy Statement

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

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

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

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

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

  The basis of the agreed Borrowing Strategy is to:
  - continuously monitor prevailing interest rates and forecasts;
  - secure long-term funds to meet the Council’s future borrowing requirement when market conditions are considered favourable;
  - use a benchmark financing rate of 4.25% 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 its capital
    2) The liquidity of its investments and then
    3) The Council aims to achieve the optimum yield on its investments but this is commensurate with the proper levels of security and liquidity
  - the Council has a detailed Lending List and criteria must be observed when placing funds – these are determined using expert TM advice, view of money market conditions and using detailed rating agency information as well as using our own market intelligence.
  - Limits are also placed on the amounts that can be invested with individual and grouped financial institutions based on the Lending List and detailed criteria which is regularly reviewed.

  The Council thus re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2015/2016 as it does every year.

Appendix 7

Treasury Management Strategy Statement for 2015/2016

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 both its borrowing and its investments, which gives priority to the security and liquidity of those investments.

The suggested strategy for 2015/2016 is set out below and is based upon the Director of Finance views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Capita Asset Services.

1.2 The treasury management strategy covers:

A. Borrowing Policy and Strategy

- treasury limits for 2015/2016 to 2017/2018
- current treasury management position
- prudential and treasury management Indicators for 2015/2016 to 2017/2018
- prospects for interest rates
- the borrowing strategy
- the borrowing requirement 2015/2016
- 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 2015/2016 to 2017/2018**

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

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax (and council rent levels where relevant) 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 4 (P5) of this report. The Council is asked to approve these limits and to delegate authority to the Director of Finance, 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 requested to approve the Operational Boundary Limits (P6) which are included in the Prudential Indicators set out in Appendix 4. 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 Director of Finance, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2 Current Treasury Management Position

2.2.1 Interest Rates 2014/2015

The Bank of England Base Rate has remained at 0.50% since 5th March 2009 and is predicted by Capital Asset Services (the Council's treasury advisors) to remain at that level until the fourth quarter of 2015 when it will begin to gradually rise until reaching 2.0% in March 2018. A number of analysts do not expect rates to begin to rise until 2016. The level of Consumer Price Inflation fell to 0.5% in December 2014 which is the lowest level since May 2000 and significantly below the Bank of England target of 2.0%. With a large decrease in the price of oil, inflation is likely to remain below 1% during 2015. Pressure to increase the Base Rate is low and in its November 2014 Inflation Report the Bank of England said that the actual path for monetary policy will be dependent on prevailing economic conditions and that when the bank rate does begin to rise it is expected to do so only gradually with the rate remaining below average historic levels for some time to come. As a consequence of this and banks access to alternative finance, investment returns are likely to remain low during 2015/2016 and beyond.

PWLB rates have been very volatile during 2014/2015 so far in response to various economic news and world events. The Autumn Statement 2014 increased the UK growth forecast for 2014 from 2.7% to 3.0% but there are worries over growth prospects and the potential for deflation within the Eurozone. There are also concerns that growth in China is losing momentum and there are geopolitical concerns particularly over Ukraine and the Middle East. Uncertainty is expected to continue into the medium term.

The government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans' and who successfully applied and were eligible for the lower rate. The Council successfully applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31st October 2015.

The following table shows the average PWLB rates for Quarters 1, 2 and 3.

2014/2015	Qtr 1* (Apr - June) %	Qtr 2* (July - Sep) %	Qtr 3* (Oct – Dec) %	Qtr 4* (rates at 16th Jan 2015)
7 days notice	0.35	0.35	0.35	0.35
1 year	1.29*	1.43*	1.24*	1.02*
5 year	2.66*	2.70*	2.23*	1.78*
10 year	3.56*	3.45*	2.92*	2.32*
25 year	4.22*	4.04*	3.61*	3.00*
50 year	4.18*	4.01*	3.61*	2.99*

*rates take account of the 0.2% discount to the PWLB rates available to eligible authorities that came into effect on 1st November 2012.

2.2.2 **Long Term Borrowing 2014/2015**

The Council's strategy for 2014/2015 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 5.00% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2014/2015.

There was a large fall in PWLB borrowing rates in July, August and October as investors sought lower risk investment options following the conflict in Ukraine and more recently expectations of low inflation and economic growth that will require possible further financial support measures within the Eurozone. In line with discussions with the Council's economic advisors it was decided to take advantage of these rates to support the Council's Capital Programme requirements. As a result the Council has taken out £30 million of new borrowing during the financial year as these rates were considered opportune at each point in time. This will help maintain the Council's long term borrowing interest rate at its comparatively low level and will benefit the Council's revenue budget over the longer term. The new borrowing is summarised in the following table:

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
50 years	08/08/2014	12/08/2014	12/08/2064	3.84	10.0
50 years	29/08/2014	02/09/2014	02/09/2064	3.72	10.0
50 years	16/10/2014	20/10/2014	20/10/2064	3.54	10.0

Since taking out this new borrowing, rates have fluctuated and lower inflation expectations have pushed rates downwards. At the time of preparing this report, PWLB interest rates have fallen to an all-time low as a result of turbulence in oil prices, low inflation and uncertainty in the Eurozone over the ECB's intention to implement quantitative easing measures and the outcome of the Greek election. The position is particularly volatile at the moment with further rate falls possible before reaching the bottom of the rate curve. The Treasury Management team continues to monitor PWLB rates closely to assess the value of possible further new borrowing in line with the Authority's future Capital Programme requirements.

The Borrowing Strategy for 2014/2015 made provision for debt rescheduling but due to the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place. Rates have not been sufficiently favourable for rescheduling in 2014/2015 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities should arise.

The Council has seven market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the LOBO's that were subject to a potential rollover this financial year. No changes to loan rates were received and so these arrangements continue.

Roll Over Dates	**Lender**	**Amount £m**	**Rate %**	**Roll Over Periods**
21/04/2014 and 21/10/2014	Barclays	5.0	4.50	Every 6 months
10/06/2014	Barclays	9.5	4.37	every 3 years
27/01/2015	Dexia Credit Local	5.0	4.45	every 3 years
Total		**19.5**		

2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31st December 2014 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	157.9		
	Market (LOBO's)	39.5		
	Other	1.8	199.2	3.76
Variable Rate Funding	Temporary / Other		27.6	0.41
Total Borrowing			**226.8**	**3.35**
Total Investments	In House–short term*		**175.8**	**0.76**
Net Borrowing Position			**51.0**	

* The total investments figure includes monies invested on behalf of the North Eastern Local Enterprise Partnership for whom Sunderland City Council is the accountable body and ANEC which agreed with its member authorities that the council would invest its surplus funds

The Council currently has net borrowing of £51.0m which represents the difference between gross debt and total investments and is significantly lower that the Council's capital financing requirement (capital borrowing need). However this position is expected to change over the next few years as the Council has to manage its finances with significantly less government funding. This is likely to 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;
- of greater importance, 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 **Prudential and Treasury Management Indicators for 2015/2016 – 2017/2018**

Prudential and Treasury Indicators (as set out in Appendix 4) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 20th November 2002 and the latest revision to the Code in 2011 was adopted by the full Council on 3rd March 2012. The Council re-affirms its full adherence to the Code annually (as set out in Appendix 6).

2.4 **Prospects for Interest Rates**

The Council's treasury advisors are Capita Asset 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 Capita Asset Services Bank Rate forecast for the current and next 3 financial years.

- 2014/2015 0.50%
- 2015/2016 0.50% - 0.75%
- 2016/2017 0.75% - 1.25%
- 2017/2018 1.25% - 2.00%

There are downside risks to these forecasts (that the increase in Bank Rate is later than predicted) if inflation remains below the 2% target set by Government and economic growth is weaker than expected. However it is clear that interest rates will remain at historically low levels into the medium term which will keep investment returns at low levels. A detailed view of the current economic background is contained within Annex B to this report. The position will be closely monitored to ensure the Council takes appropriate action as necessary under either scenario.

2.5 **Borrowing Strategy**

The capital expenditure plans set out in Appendix 3 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This involves both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

2.6 **Borrowing Requirement 2015/2016**

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

		2015/16 £m	2016/17 £m	2017/18 £m
1.	Capital Programme Borrowing	43.7	35.3	12.2
2.	Replacement borrowing (PWLB)	0.0	0.0	4.0
3.	Replacement borrowing (Other)	1.3	0.0	0.0
4.	Replacement LOBO	20.0	10.0	19.5
TOTAL		**65.0**	**45.3**	**35.7**

2.6.1 **Borrowing rates**

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

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2015	0.50	2.20	3.40	3.40
June 2015	0.50	2.20	3.50	3.50
Sept 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
March 2016	0.75	2.60	4.00	4.00
June 2016	1.00	2.80	4.20	4.20
Sept 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
March 2017	1.25	3.20	4.50	4.50
June 2017	1.50	3.30	4.60	4.60
Sept 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
March 2018	2.00	3.60	4.80	4.80

A more detailed forecast from Capita Asset Services 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 the rate to US tapering of asset purchases, an 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 lower than they will be in the next few years.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around a relapse into recession or, a risk of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

Council officers, in conjunction with the Council's treasury advisers, monitor both the prevailing interest rates and the market forecasts. The Director of Finance, taking into account the advice of the Council's treasury adviser considers a benchmark financing rate of 4.25% for any further long-term borrowing for 2015/2016 to be appropriate.

It is possible that a Municipal Bonds Agency, currently being set up by the Local Government Association, will be offering bonds to local authorities in 2015/2016. The rates offered by the new Agency will be assessed and use made of this new source of funding where it is considered advantageous.

Consideration will be also given to other options, including utilising some investment balances to fund the borrowing requirement in 2015/2016. This policy has served the Council well over the last few years as investment returns continue to be low. As a result the Council is currently maintaining a large under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long term whilst ensuring that financing is available to support capital expenditure plans. 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 Director of Finance, taking advice from the Council’s treasury advisers will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

2.7 Policy on borrowing in advance of need

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

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

2.8 Debt Rescheduling

The reasons for any rescheduling of debt will include:

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

In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. However in 2007 the PWLB introduced a spread between the rates applied to new borrowing and repayment of debt which was compounded in 2010 by a considerable further widening of the difference between new borrowing and repayment rates and it 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 2015/2016 show short term borrowing rates will be 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. These potential savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

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

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

3. Annual Investment Policy and Strategy

3.1 Investment Policy and Objectives

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

The Council's investment objectives are: -

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

The Council also aims to achieve the optimum return on its investments but this is commensurate with proper levels of security and liquidity.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of risk. 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 guidelines for choosing and placing 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;
- specified investments that the Council will use;
- non-specified investments that the Council will use, clarifying the greater risk implications, identifying the general type of investment that may be used and a limit to the overall amounts of various categories that can be held at any time.

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 sterling investments that are for a period of not more than one-year maturity, or those which they could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are placed with high rated counterparties and are considered low risk assets where the possibility of loss of principal or investment income is small. Within these bodies and in accordance with the Code, the Council has set additional criteria to limit the time and amount of monies that will be invested with these bodies.

Non-specified Investments are any investments which are not classified as specified investments. As the Council only uses investment grade high credit rated counterparties this means in effect that any investments placed with those counterparties for a period over one year will be classed as Non-specified Investments.

Any non-specified investment by the Council that is 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 Certificates of Deposit, fixed term deposits, interest bearing accounts, Money Market Funds, Government debt instruments, floating rate notes, corporate bonds, municipal / local authority bonds and gilt edged securities and will follow the criteria as set out in Annex C.

3.4 Investments Defined as Capital Expenditure

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

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

3.5 **Investment Limits**

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

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

A maximum limit of £75 million is to be set for in-house non-specified investments over 364 days up to a maximum period of 2 years. This amount has been calculated by reference to the Council’s cash flows, including the potential use of earmarked reserves. The Director of Finance 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**

Following the financial crisis of 2008 it was recognised that investors, who largely remained unaffected through this period, should share the burden in future by making them forfeit part of their investment to “bail in” a bank before taxpayers are called upon.

The main rating agencies (Fitch, Moody’s and Standard & Poor’s) have, through much of the financial crisis, provided some institutions with a ratings “uplift” due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these “uplifts”. The agencies are expected to remove implied sovereign support from financial institution ratings based in the EU at some stage ahead of January 2016 (when bail-in measures are finally enacted). The timing and extent of changes is still not clear but immediate changes to the credit methodology used are required.

In the UK the Government is expected to end their bank guarantee scheme. This will mean investments that council's make with UK financial institutions would not be guaranteed by the Government and that if the financial institution encountered financial problems then the Council would become an unsecured depositor. It is important to stress that the regulatory changes that are being made in the UK and the rest of Europe are designed to make the financial system sounder and their implementation will not suddenly weaken institutions. In December 2014 the Bank of England published the results of a stress test for major UK financial institutions. The test assessed major UK lenders' ability to withstand another financial crisis and it built on similar health checks by the European Banking Authority. Only one UK institution (the Co-op) failed the test although another two were assessed as being at risk in the event of a "severe economic downturn". Mark Carney the Governor of the Bank of England said that the results show that the banking system is "significantly more resilient" and that the "growing confidence in the system is merited". All financial institutions are continuing to build capital reserves further going forward.

The rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become unnecessary. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and the Council will continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to monitor market pricing such as "credit default swaps" and overlay that information on top of the credit ratings provided.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

In summary the UK financial institutions have stregthened their Balance Sheets to better accommodate the impact of another financial crisis. As a result, government intervention would become limited if at all and Bail-In arrangements would apply if banks were to fail. This increases the risk of depositors but only to the extent the institution can not withstand the total losses.

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. If the Council's own banker, National Westminster Bank plc should fail to meet the minimum credit criteria to allow investments from the Council then balances will be minimized as far as possible.

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 Capita Asset Services counterparty 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.
- 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.

Should the UK Government AA+ 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 2014/2015 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:

Return	**2013/14 Benchmark**	**2013/14 Return**	**To date 2014/15 Benchmark**	**To date 2014/15**
	%	**%**	**%**	**%**
Council	1.03	0.35	0.76	0.35

During 2015/2016 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. The performance of the Council compared well with other local authorities and is in the top quartile.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2015/2016 are likely to range between £80 million and £200 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 2015/2016, with short-term interest rates forecast to be materially below long-term rates, it is possible that some investment balances will continue to 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 2015/2016, (i.e. it has not agreed any forward deals).

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

- Capital expenditure during the financial year, (dependent upon timing), will affect cash flow and short term investment balances;
- Any reprofiling of capital expenditure from, and to, other financial years will also affect cash flow, (no reprofiling has been taken into account in current estimates);
- Any unexpected capital receipts or other 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 Director of Finance, in conjunction with the Council's treasury adviser Capita Asset 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 Director of Finance, 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 will be reported to Cabinet for agreement prior to any external fund manager being appointed

3.12 Policy on the use of external service providers

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

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

4. **Scheme of delegation**

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

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

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

Annex A

Interest Rate Forecasts

The data set out overleaf shows a variety of forecasts published by Capita Asset 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. Interest Rate Forecasts

Capita Asset Services Interest Rate View													
	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	2.10%
6 Month LIBID	0.70%	0.70%	0.80%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.30%
12 Month LIBID	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.60%
5yr PWLB Rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB Rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB Rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Economics	2.20%	2.50%	2.70%	3.00%	3.10%	3.20%	3.30%	3.40%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.80%	3.05%	3.30%	3.55%	3.60%	3.65%	3.70%	3.80%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.25%	3.45%	3.65%	3.85%	3.95%	4.05%	4.15%	4.25%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
Capital Economics	3.30%	3.50%	3.70%	3.90%	4.00%	4.10%	4.20%	4.30%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

2. Survey of Economic Forecasts

HM Treasury December 2014

The current Q4 2014 and 2015 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury December 2014 report.

BANK RATE FORECASTS	Quarter ended		annual average Bank Rate		
	Q4 2014	Q4 2015	ave. 2016	ave. 2017	ave. 2018
Average	0.50%	0.90%	1.50%	2.20%	2.60%
Highest	0.80%	2.00%	2.00%	3.00%	3.70%
Lowest	0.50%	0.50%	0.90%	0.90%	1.10%

Annex B

Economic Background

1.1 Global Economy Update

The Eurozone

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In December, the inflation rate fell further, to reach a low of -0.2%. This is an average for all EZ countries and is the first time that the Eurozone has experienced deflation since the financial crisis in 2009. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. It has not embarked yet on full quantitative easing (purchase of sovereign debt) although ECB president Mario Draghi's has indicated that this could commence soon and it appears likely that full quantitative easing will begin in early 2015.

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable but has made good progress in reducing its annual budget deficit and in returning to marginal economic growth.

The current situation in Greece is still volatile**.** The general election on 25 January 2015 is likely to bring a political party to power which is 'anti-austerity'. If this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate resources to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti-austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti-austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB.

USA

The Federal Reserve ended its monthly asset purchases in October 2014, signalling confidence the US economic recovery would remain on track. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% and increased again in Q3 to 5.0% which is the fastest rate of growth recorded since 2003. Annual growth during 2015 is predicted to be around 3%.

The USA faces similar debt problems to those of the UK, but thanks to strong growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions. It is currently expected that the USA will be the first major economy to begin increasing rates in mid 2015.

China

Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for a number of years. There are also concerns that the Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan

Recession in the Japanese economy is causing considerable concern as an increase in sales tax from 5% to 8% in April 2014 has suppressed consumer expenditure and growth. The tax increase was legislated by the previous government in 2012 to curb Japan's public debt, which is the highest among developed nations. In Q3 growth was -0.5% and -1.9% over the previous year. In addition, the population is ageing due to a low birth rate and is estimated to fall from 128m to 100m by 2050.

1.2 UK economy

Economic growth

Recovery is stronger in the UK than the rest of Europe with UK GDP growing for 7 successive quarters. There has been strong UK GDP quarterly growth of 0.7%, 0.9% and 0.7% in quarters 1,2 and 3 in 2014 (annual rate 2.6% in Q3) and the Autumn Statement 2014 increased the growth forecast for 2014 from 2.7% to 3.0% and for 2015 from 2.3% to 2.4%. Forward surveys for the services and construction sectors are encouraging although there has been a weakening in the future trend rate of growth for the manufacturing sector and UK growth is fragile and strongly linked to worldwide events. For the recovery to become more balanced and sustainable in the longer term it needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly manufactured goods, both of which need to substantially improve on their recent performance.

Forward guidance

The overall strong growth has resulted in unemployment falling faster than expected reaching 5.8% in November 2014. Total employment levels are also at the highest since records began in 1971 with 30.8m employed. These unemployment levels are much lower than the initial threshold of 7%, set by the Monetary Policy Committee (MPC) in August 2013, before it said it would consider any increases to the Bank Rate. The MPC has subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has been at low levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Inflation

Inflation (CPI) has fallen sharply during 2014 after being consistently above the MPC's 2% target between December 2009 and December 2013. Inflation fell to 0.5% in December 2014, its lowest level since 2000. The Bank of England do not expect inflation to reach the target rate of 2% for 3 years and have warned it could remain below 1% for the next 6 months. Overall, markets are expecting that the MPC will be cautious in raising the Bank Base Rate as it will want to protect heavily indebted consumers from too early an increase at a time when inflationary pressures are also weak. A first increase in Bank Rate is expected in Q4 2015 with increases after that expected to be at a slow pace with rates remaining at lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

Government Debt

Debt is still increasing and at the end of October 2014 borrowing, at £64.1bn, was £3.6bn higher than at the same period in 2013. The Chancellor announced in the 2014 Autumn Statement that the March 2014 borrowing targets would not be met and the borrowing target for 2014/2015 was increased from £86.4bn to £91.3bn with the 2015/2016 target being increased from £68.3bn to £75.9bn. The deficit budget is not expected to be in surplus until 2018/2019.

1.3 Economic Forecast

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Over time, an increase in investor confidence in world economic recovery is also likely to compound this effect as recovery will further encourage investors to switch from bonds to equities.
The overall balance of risks to economic recovery in the UK is currently evenly weighted. However it remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has taken sufficient action that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed resolution of the debt crisis where EZ institutions and governments eventually do what is necessary. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and/or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is difficult to forecast whether any individual country will lose such confidence, or when, and so will precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven cash flows
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market and is weaker than anticipated .
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.

- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring considerable government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.

Annex C

Lending List Criteria

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 advisers.

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

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	364 days
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					350	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA+ 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 A+ rating applied to them thus giving them a credit limit of £70 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 £100 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has shown that it has been willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	350
Non-UK	100

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

Sector	**Limit £m**
Central Government	350
Local Government	350
UK Banks	350
Money Market Funds	120
UK Building Societies	100
Foreign Banks	100

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. The government rating will apply provided that:

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

Proposed group limits are set out in Annex D.

Annex D

Approved Lending List

	Fitch		**Moody's**		**Standard & Poor's**			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA+	-	Aa1	-	AAA	-	350	2 years
Lloyds Banking Group (see Note 1)							**Group Limit 100**	
Lloyds Banking Group plc	A	F1	A2	-	A-	A-2	100	2 years
Lloyds Bank Plc	A	F1	A1	P-1	A	A-1	100	2 years
Bank of Scotland Plc	A	F1	A1	P-1	A	A-1	100	2 years
Royal Bank of Scotland Group (See Note 1)							**Group Limit 100**	
Royal Bank of Scotland Group plc	A	F1	Baa2	P-2	BBB+	A-2	100	2 years
The Royal Bank of Scotland Plc	A	F1	Baa1	P-2	A-	A-2	100	2 years
National Westminster Bank Plc	A	F1	Baa1	P-2	A-	A-2	100	2 years
Ulster Bank Ltd	A-	F1	Baa3	P-3	BBB+	A-2	100	2 years
Santander Group *							**Group Limit 70**	
Santander UK plc	A	F1	A2	P-1	A	A-1	70	364 days
Cater Allen	-	-	-	-	-	-	70	364 days
Barclays Bank plc *	A	F1	A2	P-1	A	A-1	70	364 days
HSBC Bank plc *	AA-	F1+	Aa3	P-1	AA-	A-1+	70	364 days
Nationwide BS *	A	F1	A2	P-1	A	A-1	70	364 days
Standard Chartered Bank *	AA-	F1+	A1	P-1	A+	A-1	70	364 days
Clydesdale Bank / Yorkshire Bank **/***	A	F1	Baa2	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	Caa2	NP	-	-	0	
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Yorkshire BS ***	A-	F1	Baa1	P-2	-	-	0	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Coventry BS	A	F1	A3	P-2	-	-	50	364 days
Skipton BS ***	BBB	F2	Baa3	P-3	-	-	0	
Leeds BS	A-	F1	A3	P-2	-	-	50	364 days
West Bromwich BS ***	-	-	B2	NP	-	-	0	
Principality BS ***	BBB+	F2	Baa3	P-3	-	-	0	
Newcastle BS ***	BB+	B	-	-	-	-	0	
Nottingham BS ***	-	-	Baa2	P-2	-	-	0	
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA		Aaa		AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Ignis Sterling Liquidity	AAA		-		AAA		50	Liquid
Deutsche Managed Sterling Fund	-		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
Australia	AAA		Aaa		AAA		100	364 days
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days
Westpac Banking Corporation	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days
Canada	AAA		Aaa		AAA		100	364 days
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	Aa3	P-1	AA-	A-1+	75	364 days
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	364 days
Finland	AAA		Aaa		AA+		100	364 days
Nordea Bank Finland plc	AA-	F1+	Aa3	P-1	AA-	A-1+	75	364 days
Pohjola Bank	A+	F1	Aa3	P-1	AA-	A-1+	70	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Germany	AAA		Aaa		AA+		100	364 days
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	A+	F1+	A1	P-1	AA-	A-1+	70	364 days
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	75	364 days
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	364 days
Hong Kong	AA+		Aa1		AAA		100	364 days
The Hong Kong and Shanghai Banking Corporation Ltd	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days
Luxembourg	AAA		Aaa		AAA		100	364 days
Banque et Caisse d'Epargne de l'Etat	-	-	Aa1	P-1	AA+	A-1+	100	364 days
Clearstream Banking	AA	F1+	-	-	AA	A-1+	80	364 days
Netherlands	AAA		Aaa		AA+		100	364 days
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AA+	A-1+	80	364 days
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Nederlandse Waterschapsbank N.V	-	-	Aaa	P	AA+	A-1+	80	364 days
Singapore	AAA		Aaa		AAA		100	364 days
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	364 days
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	364 days
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	364 days
Sweden	AAA		Aaa		AAA		100	364 days
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	75	364 days
Svenska Handelsbanken AB	AA-	F1+	Aa3	P-1	AA-	A-1+	75	364 days
USA	AAA		Aaa		AA+		100	364 days
Bank of New York Mellon	AA-	F1+	Aa2	P-1	AA-	A-1+	75	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
HSBC Bank USA, N.A.	AA-	F1+	A1	P-1	AA-	A-1+	70	364 days
JPMorgan Chase Bank NA	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Northern Trust Company	AA-	F1+	A1	P-1	AA-	A-1+	70	364 days
State Street Bank and Trust Company	AA-	F1+	Aa3	P-1	AA-	A-1+	75	364 days
U.S. Bancorp	AA-	F1+	A1	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA-	F1+	Aa3	P-1	AA-	A-1+	75	364 days

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AA+ rating applied to them thus giving them a credit limit of £100m.

* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme
The counterparties in this section will have an A+ rating applied to them thus giving them a credit limit of £70 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.