CABINET – 13 FEBRUARY 2019

CAPITAL PROGRAMME 2019/2020 TO 2022/2023 AND TREASURY MANAGEMENT POLICY AND STRATEGY 2019/2020, INCLUDING PRUDENTIAL INDICATORS FOR 2019/2020 TO 2022/2023.

Report of the Executive Director of Corporate Services

1. Purpose of the Report

1.1 To update Cabinet on the level of capital resources and commitments for the forthcoming financial year and seek a recommendation to Council to the Capital Strategy, overall Capital Programme 2019/2020 to 2022/2023 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2019/2020 and to approve the Prudential Indicators for 2019/2020 to 2022/2023.

2. Description of Decision

2.1 Cabinet is requested to recommend to Council approval of:

- the proposed Capital Programme for 2019/2020;
- the Council's Capital Strategy;
- the Treasury Management Policy and Strategy for 2019/2020 (including specifically the Annual Borrowing and Treasury Investment Strategies);
- the Prudential Indicators for 2019/2020 to 2022/2023;
- the Minimum Revenue Provision Statement for 2019/2020.

3. Background

3.1 The Council currently has an ambitious capital programme, with £219m spend profiled over the period 2019/2020 to 2022/2023 linked to the Corporate Plan priorities. Continuing austerity has meant that resources that would previously have been available to fund the capital programme into futures years are restricted.

3.2 On 21st November 2018 Cabinet approved a suite of new start capital proposals which had been developed in accordance with the Council's Capital Strategy and taking into account the restricted level of resources available.

3.3 Since that time further work has progressed on the development of schemes and the programme now presented at Section 4 below includes additional proposed investment in Strategic Developments and Festoon Lighting, further details of which are set out at section 4.5 and Appendix 3 of this report.

4. Capital Programme 2019/2020 to 2022/2023

4.1 The proposed Capital Programme for 2019/2020 to 2022/2023 was set with the aim of delivering on the priorities set out in the City Plan including securing capital investment in the City in order to deliver growth and jobs. The total proposed programme amounts to £376.923m, with £168.946m programmed in 2019/2020 as set out below:

Expenditure by Portfolio	Estimated Payments				
	2019/2020 £'m	2020/2021 £'m	2021/2022 £'m	2022/2023 £'m	Total £'m
Deputy Leader	34.846	8.730	19.667	15.650	78.893
Cabinet Secretary	7.527	13.456	18.085	9.766	48.834
Children's Learning and Skills	4.386	3.300	1.171	0.061	8.918
Community and Culture	16.929	4.771	11.078	10.577	43.355
Environment and Transport	54.178	49.288	21.655	5.390	130.511
Health and Social Care	4.879	0.250	0.250	0.000	5.379
Housing and Regeneration	46.201	11.628	3.204	0.000	61.033
TOTAL CAPITAL EXPENDITURE	**168.946**	**91.423**	**75.110**	**41.444**	**376.923**

4.2 Members will be aware that in 2018/2019 the Council committed resources towards a capital programme spanning a five year period. Therefore the 2019/2020 to 2022/2023 programme reflects:

- on-going capital scheme commitments from previous years of £219.002m (£108.363m in 2019/2020) as set out in Appendix 2;
- new starts / additional investment of £157.921m (£60.583m in 2019/2020) summarised at section 4.5 with further detail set out in Appendix 3.

The details of the full Capital Programme for 2019/2020 to 2022/2023 are set out in Appendix 4. The rest of this section of the report covers proposals for new starts / additional investments in more detail.

4.3 Additional Capital Project Proposals 2019/2020 to 2022/2023 – Capital Strategy

4.3.1 The Council's Capital Strategy provides the framework within which the Council's capital investment plans are developed, prioritised and delivered. It provides a framework which enables proposed new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the priorities set out in the Council's City Plan.

4.3.2 The Capital Strategy is updated annually for approval by Council and is attached at Appendix 1.

4.3.3 The capital project proposals contained within this report have been developed in accordance with the Council's Capital Strategy and are aligned to City Plan priorities as detailed in Section 2.2 of the Capital Strategy.

4.4 Resources Available for New Starts / Additional Investments

4.4.1 Resources - Grants

The availability of external funding from significant regional funding programmes, such as the Local Growth Fund, is now restricted. Applications to the national Housing Infrastructure Fund have been submitted and are progressing through the appraisal processes and will support major growth schemes should they be successful.

As in previous years, resources allocated in respect of Transport, Better Care Fund and Education specific purpose grants will be allocated to those services areas.

The table below details Government Grants announced for 2018/2019 onwards.

Funding Source	2018/2019	2019/2020	2020/2021
	£'000	£'000	£'000
Highways Capital Maintenance	2,660	2,660	2,660
Highways Capital Maintenance – Incentive Funding	558	558	558
Pot Hole Funding (including Flood Resilience)	93	tbc	tbc
Highways and Bridges - Budget Autumn 2018	1,466	0	0
Highways Integrated Transport	1,606	1,606	1,606
Nexus Allocation	42	42	tbc
National Productivity Investment Fund (NPIF) - Transport	3,360	tbc	tbc
Safer Roads Funding	0	0	783
Highways England Growth and Housing Fund	0	1,439	0
Total Transport	**9,785**	**6,305**	**5,607**
Better Care Fund (DFG)	3,312	tbc	tbc
Disabled Facilities Grants	396	tbc	tbc
Total Health, Housing and Adult	**3,708**	**tbc**	**tbc**
Schools Condition Allocation	1,101	tbc	tbc
Education Basic Need	0	386	817
Schools Devolved Funding	339	tbc	tbc
Healthy Pupils Capital Fund	91	tbc	tbc
SEND	166	283	167
Total Department for Education	**1,697**	**669**	**984**

The Council is awaiting further details of some grants that will be awarded to support the 2019/2020 capital programme, which will be reported to Cabinet in due course.

At this stage no allocations have been announced beyond 2020/2021.

Appendix 3 sections 2 to 4 set out details of proposed use of the above 2019/2020 funding.

4.4.2 Resources – Capital Receipts and Reserves

The Council continues to market sites for sale to maximise capital receipts and support operational requirements. Capital receipts are only earmarked to fund the Capital Programme once they have been realised. While the council is targeting capital receipts, the first call on capital receipts realised will be to support the delivery of the councils savings programme agenda.

S106 Reserves - Upon confirmation of S106 agreements with developers, monies received are held in reserves until detailed plans on use of the funding are developed in accordance with the requirements outlined in the S106 agreements. Once developed the projects are brought into the Capital Programme at the appropriate time. Typical uses would be for development/improvement of play provision, educational assets, highways infrastructure, affordable housing, public open spaces and ecological improvements.

Following a review of available resources it is proposed that £2.720m capital receipts and £0.860m capital reserves be used to support the capital programme proposals (£1.380m in 2019/2020 and £2.200m in future years).

Elsewhere on the agenda, the Revenue Budget and Proposed Council Tax report for 2019/2020 sets out the Council's Efficiency Strategy for the period 2019/2020 to 2021/2022. In accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes, the Strategy includes the continued proposed use of capital receipts arising in 2018/2019 to 2021/2022 to support transformation costs arising from implementing the Council's savings programme for 2018/2019 to 2021/2022. This will ensure the Council has maximum flexibility in funding options available to meet the transformational costs at outturn. The position will be kept under review and final decisions on funding options will be made at outturn, in light of the overall corporate position, actual capital receipts realised and available earmarked reserves. While it is noted that using capital receipts to fund transformation projects means this funding is not available for capital projects, the new starts projects within the proposed Capital Programme are all fully funded from either borrowing, earmarked capital reserves or external grants and contributions.

4.4.3 Resources – Capital Expenditure charged to Revenue Account (CERA)
Given the current financial position in recent years, there is no specific budget provision for revenue funding for Capital.

4.4.4 Resources – Borrowing

Historically the Council has utilised flexibility in funding its capital programme through the use of prudential borrowing. Additional borrowing results in additional debt charges which must be affordable within the revenue budget planning with appropriate provision included within the base budget and MTFS. The Council will continue to consider financing options taking in to account available resources at that time.

The budget includes prudent provision for capital financing charges that may arise from an additional net £128.486m of prudential borrowing (£54.452m in 2019/2020 and £74.034m from 2020/2021). It is proposed to use this borrowing flexibly by switching with surplus capital receipts once realised. This would reduce planned capital finance charges that may arise from this borrowing.

4.4.5 Resources – Other Funding – Enterprise Zones

The current capital programme includes for the three enterprise zones of the IAMP site, A19 Ultra Low Carbon Zone and part of the Port of Sunderland. All of the business rates growth generated on these enterprise zones for their 25 year life are payable to the North East Local Enterprise Partnership (LEP). The current programme assumes this resource is then distributed by the North East LEP to meet / contribute to the costs associated with funding the infrastructure works associated with those zones.
At this time there are no additional Enterprise Zones proposed by Government within the Sunderland area.

4.5 Detailed Proposals for New Starts and Capital Programme 2019/2020 to 2022/2023

4.5.1 Following consultation with Portfolio Holders and approval by Cabinet in November 2018, and subsequent work developing investment proposals for Strategic Developments and the Festoon Lighting, the projects in the table below are included in the capital programme for 2019/2020 to 2022/2023 with further details set out in Appendix 3.

4.5.2 In addition, following confirmation of specific grant approvals, these grants have been allocated to relevant service areas in the table below, with further details set out in Appendix 3.

Appendix 3 Ref	Project Name	Total Project Spend £m	Spend 2019/20 £m	Spend Future Years £m	External Funding £m	Council Provision in Current Capital Programme £m	Additional Council Funding £m
Deputy Leader							
1.1.1	Port Dock Gates & Associated Infrastructure	1.564	1.564	0.000	0.000	0.000	1.564
1.1.2	Port General Infrastructure, Equipment & Plant	0.750	0.000	0.750	0.000	0.000	0.750
1.1.3	Provision for Economic Development Grants	0.700	0.000	0.700	0.000	0.000	0.700
Total		**3.014**	1.564	1.450	**0.000**	**0.000**	**3.014**
Cabinet Secretary							
1.2.1	Civic Centre Replacement	41.381	2.274	39.107	0.000	0.000	41.381
1.2.2	Planned Property Capital Maintenance	2.273	2.273	0.000	0.000	0.000	2.273
1.2.3	ICT Infrastructure	2.720	0.520	2.200	0.000	0.000	2.720
Total		**46.374**	5.067	41.307	**0.000**	**0.000**	**46.374**
Children, Learning and Skills							
1.3.1	Willow Fields Primary School Relocation	4.942	0.410	4.532	0.210	0.000	4.732
1.3.2	Children's Homes Compliance Work	0.080	0.080	0.000	0.000	0.000	0.080
1.3.3	Derwent Hill Facilities Improvements	0.300	0.300	0.000	0.000	0.000	0.300
Total		**5.322**	0.790	4.532	**0.210**	**0.000**	**5.112**
Community and Culture							
1.4.1	Sunderland Museum, Winter Gardens and Library Major Redevelopment Scheme *	21.755	0.400	21.355	15.995	0.000	5.760
1.4.2	Neighbourhood Renewal	2.500	1.000	1.500	0.000	0.000	2.500
1.4.3	Festoon Lighting	0.250	0.250	0.000	0.000	0.000	0.250
Total		**24.505**	1.650	22.855	**15.995**	**0.000**	**8.510**
Environment and Transport							
1.5.1	Highways Asset Investment	11.000	2.750	8.250	0.000	0.000	11.000
1.5.2	Bridge Maintenance Investment Programme	4.000	1.000	3.000	0.000	0.000	4.000
1.5.3	Environmental Services Vehicles and Equipment	3.931	2.558	1.373	0.000	0.000	3.931
1.5.4	Reconnecting Roker Park *	3.550	0.000	3.550	3.100	0.216	0.234
1.5.5	Redevelopment of Parsons & JCH Depot - Electric Vehicles Infastructure *	3.004	0.082	2.922	1.502	0.000	1.502
1.5.6	Major Pipeline Scheme Design	1.000	0.250	0.750	0.000	0.000	1.000
1.5.7	Panns East Quay Replacement	1.000	1.000	0.000	0.000	0.000	1.000
1.5.8	Hillthorn Lorry Parking Facility	0.750	0.750	0.000	0.000	0.000	0.750
1.5.9	Riverside Animation	0.400	0.400	0.000	0.000	0.000	0.400
1.5.10	Holmeside Car Park	0.230	0.000	0.230	0.000	0.000	0.230
1.5.11	Replacement of Road Safety Vehicle	0.020	0.020	0.000	0.000	0.000	0.020
Total		**28.885**	8.810	20.075	**4.602**	**0.216**	**24.067**
Health and Social Care							
1.6.1	Day Centre Transformation Programme	4.500	4.500	0.000	0.000	0.000	4.500
1.6.2	Emergency Accommodation	0.104	0.104	0.000	0.000	0.000	0.104
1.6.3	Barnes Park Café (Coffee Stop) – Flood Defence Measures	0.025	0.025	0.000	0.000	0.000	0.025
Total		**4.629**	4.629	0.000	**0.000**	**0.000**	**4.629**
Housing and Regeneration							
1.7.1	Additional Growth Corridor	5.000	1.000	4.000	0.000	0.000	5.000
1.7.2	Empty Properties Programme	3.000	1.816	1.184	0.000	0.000	3.000
1.7.3	Homeless Accommodation *	2.300	0.710	1.590	1.000	0.000	1.300
1.7.4	Heritage Action Zone Partnership Grant Scheme *	0.890	0.545	0.345	0.390	0.000	0.500
1.7.5	Strategic Acquisitions	1.800	1.800	0.000	0.000	0.000	1.800
1.7.6	Regeneration Feasibilities	0.580	0.580	0.000	0.000	0.000	0.580
1.7.7	Hendon Health Centre Demolition	0.125	0.125	0.000	0.000	0.000	0.125
1.7.8	Roker Promenade and Pier CCTV Infrastructure	0.055	0.055	0.000	0.000	0.000	0.055
1.7.9	Strategic Developments	28.000	28.000	0.000	0.000	0.000	28.000
Total		**41.750**	34.631	7.119	**1.390**	**0.000**	**40.360**
Service New Grant Allocations							
2.0	Transport (Highways) Schemes	3.266	3.266	0.000	3.266	0.000	0.000
3.0	Health, Housing & Adults - awaiting Better Care Fund allocation	0.000	0.000	0.000	0.000	0.000	0.000
4.0	Children's Services - awaiting some schools allocations	0.176	0.176	0.000	0.176	0.000	0.000
Total		**3.442**	3.442	0.000	**3.442**	**0.000**	**0.000**
TOTAL		**157.921**	60.583	97.338	**25.639**	**0.216**	**132.066**

** project included subject to the successful outcome of external grant funding bid.*

4.5.3 The proposed additional new starts / additional investment totals £157.921m, (£60.583m in 2019/2020 and £97.338m in future years). Of the total £157.921m:

- £25.639m is externally funded;
- £0.216m is existing council funding already included in the current capital programme;
- The remaining balance of £132.066m is to be met from available Council resources, as follows:
    - £2.720m capital receipts
    - £0.860m capital reserves
    - £128.486m prudential borrowing.

It is important to note that:

- Those capital projects marked * included in the table above will be subject to positive outcomes of external grant funding bids;
- Some of the above investment is anticipated to be recouped through either S106 or commercial arrangements over time;
- Some investments are linked to the generation of savings to support the revenue budget.

4.5.4 Planned funding sources for individual capital schemes may be subject to amendment in order to achieve best value to the Council and ensure the capital programme continues to be prudent, affordable, and sustainable into future years and within overall borrowing limits whilst still retaining flexibility.

4.5.5 The recommended Capital Programme is included in full as Appendix 4 to this report.

4.5.6 Additional capital project proposals were approved by Cabinet on 21st November 2018. The Scrutiny Coordinating Committee on 6th December 2018 acknowledged the capital programme and is satisfied with the proposed variations to the Capital Programme.

4.6 Further Reports

In accordance with the Council's Constitution, prior to the 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 before commencement of the scheme. For those schemes below £0.250m consultation must take place with the relevant Cabinet Portfolio Holder and Executive Director of Corporate Services in advance of delegated decisions being taken to implement these schemes, and subsequently approved by Cabinet as part of the quarterly capital review process. Any further proposals for additional projects will follow the above processes for approval as they emerge.

5. **Prudential Framework and Code**

5.1 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 first reported to Council in March 2004 and the latest version was issued by CIPFA in December 2017.

5.2 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, not just for the current year but also for future years. 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.

5.3 To demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability the Council has in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Capital Strategy is set out at Appendix 1. The Strategy forms a part of the Council's integrated revenue, capital and balance sheet planning.

5.4 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 2019/2020, taking into account all matters specified in the code. Regular monitoring takes place during the year and reports are made to Cabinet to show the Council's performance and compliance with these indicators as part of the quarterly capital review reports as appropriate.

5.5 All of the indicators together with background information to these indicators and what they are seeking to assess, are detailed in Appendix 5 in full compliance with the code.

5.6 Regulations came into force on 31st March 2008 which requires local authorities to repay an element of its capital financing requirement each year through a revenue charge known as the Minimum Revenue Provision (MRP). Local authorities have a statutory requirement to make a prudent level of provision and to have regard to Ministry of Housing, Communities and Local Government (MHCLG) guidance when assessing its MRP. MHCLG revised their MRP guidance in February 2018 and this guidance has been considered when setting the MRP policy for 2019/2020. Authorities must set, each year, an amount of MRP it considers prudent. It is also recommended 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.

5.7 Local authorities have significant discretion in determining the level of MRP which they consider to be prudent. The Council's MRP policy was reviewed as part of the budget setting process for 2017/2018 where it was determined that had the annuity basis used to calculate MRP, that was introduced from 2015/2016, been adopted from 1st April 2008 (being the date when regulations came into force) around £43.5m less MRP would have been charged between 1st April 2008 and 31st March 2016. Council approved that the £43.5m overprovision of MRP in previous years be used to reduce MRP for 20 years from 2016/2017 by a fixed amount of £2.176m each year until 2036/2037. Phasing over 20 years is the time period that the Government specify for expenditure to be treated as capital expenditure by virtue of direction under section 16(2)(b) of the 2003 Act. This is considered prudent, as taking previous overpayments over this longer period slows the increase to the Council's capital financing requirement, and therefore interest charges, whilst still giving additional certainty to the Council's debt charges budget. The proposal assisted the Council in addressing the impact of funding reductions as described in the Council's MTFS at that time.

5.8 It is proposed the Council continue the MRP policy used in 2018/2019 and a recommended Minimum Revenue Provision Statement for 2019/2020 for the Council is set out in Appendix 6.

6. Treasury Management

6.1 General

Treasury Management is defined as "the management of the local authority's borrowing, 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."

6.2 Statutory requirements

The Local Government Act 2003 (the Act) requires the Council to:

- adopt a Treasury Management Policy Statement (detailed in Appendix 7),
- 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 8).

The MHCLG 'Statutory Guidance on Local Government Investments' was updated in February 2018 and CIPFA updated its Treasury Management in the Public Services Code of Practice in December 2017. The Council are statutorily required to have regard to this advice when setting its Treasury Management Policy Statement and Treasury Management Strategy. Changes to the MHCLG investment guidance focused particularly on non-treasury investments which are reported in Appendix 1 within the Commercial Investments section of the Capital Strategy rather than in the Treasury Management Strategy. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

Should the Council borrow to fund any non-treasury investment, there will be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

6.3 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 that:

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 7 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 materially deviating from the Code's key principles.

2. The Council will receive reports on its 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 Executive Director of Corporate Services, who acts in accordance with the organisation's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

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

6.4 **Treasury Management Strategy Statement for 2019/2020**

6.4.1 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 2019/2020.

6.4.2 There are no major changes being proposed to the overall Treasury Management Strategy in 2019/2020, 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.

6.4.3 The proposed Treasury Management Strategy Statement for 2019/2020 is set out in Appendix 8 and has been informed by market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Link Asset Services.

6.4.4 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 2018/2019 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.13% is low in comparison with other local authorities whilst the current rate earned on investments at 0.92% is higher than the benchmark rate of 0.49%. Market conditions are under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

7. Reasons for Decision

7.1 To comply with statutory requirements.

8. Alternative Options

8.1 No alternative options are proposed.

9. Impact Analysis

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

10. List of Appendices

10.1 Appendix 1 - Capital Strategy
Appendix 2 - Capital Commitments into 2019/2020
Appendix 3 - Capital Programme 2019/2020 New Starts / Additional Investments
Appendix 4 - Capital Programme 2018/2019 to 2022/2023
Appendix 5 - Prudential and Treasury indicators 2019/2020 to 2022/2023
Appendix 6 - Minimum Revenue Provision Policy Statement 2019/2020
Appendix 7 - Treasury Management Policy Statement
Appendix 8 - Treasury Management Strategy Statement for 2019/2020

11. Background Papers

Cabinet Report – Capital Programme Planning 2019/2020 to 2022/2023

Appendix 1

Capital Strategy

1. INTRODUCTION

1.1. Background

The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2017 with further guidance released in September 2018. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

The updated Prudential Code requires local authorities to have an approved Capital Strategy to be in place in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The capital strategy sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

The Council's Capital Strategy has been prepared to provide a framework within which the Council's capital investment plans will be prioritised and delivered, ensuring it adheres to the requirements of the Code. This is covered over the following key areas;

- Capital expenditure including governance, monitoring, priorities, pipeline and longer term planning;
- Funding Approach;
- Debt, borrowing and treasury management;
- Commercial activity;
- Other long-term liabilities; and
- Knowledge and skills.

The Capital Priorities to be delivered through the strategy are aligned to the new City Plan with an overall ambition that by 2030 Sunderland will be a connected, international city with opportunities for all.

The key themes are set out at section 2.2.

The Strategy covers the Council and also its wholly owned companies, Together for Children Limited, Sunderland Care and Support Limited and Sunderland Homes Limited.

2.0 OBJECTIVES OF STRATEGY

2.1 The key aims of the Capital Strategy are to:

- provide a clear set of objectives and a framework within statutory legislation that enables proposed new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the priorities set out in the City Plan;
- ensure prioritisation of projects that focus on delivering a number of the long term benefits contained in the City Plan;
- set out how the Council identifies, programmes and prioritises capital requirements and proposals arising from business plans submitted through an appraisal mechanism;
- provide a long-term view of capital expenditure plans and risks faced by the Council over the life of assets;
- consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area, whilst minimising the on-going revenue implications of any such investment;
- provide a basis for the projection of external debt and provision for repayment of that debt over the life of the underlying debt based on the approved capital programme and other capital resources available;
- consider the resources available for capital expenditure over the longer term;
- ensure the strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return, confirming that knowledge and skills available to the Council are commensurate with the Council's investment risk appetite;
- establish effective arrangements for the management and monitoring of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment.

2.2 Capital Priorities

The Council's Capital Priorities are aligned to the City Plan priorities of:

- Sunderland will be a **dynamic city**. This includes more and better jobs, an improved housing offer, improvements to the city centre and a focus on low carbon and digital connectivity.

- Sunderland will be a **healthy city**. This includes a focus on ensuring that everyone has access to opportunities and life chances to live healthier, longer, independent lives. There will be a focus on a more attractive city and neighbourhoods with better transport networks.

- Sunderland will be a **vibrant city**. This includes more creative and cultural businesses, more visitors to Sunderland and more residents participating in their communities and cultural events. We want residents to feel happy in the neighbourhoods where they live and feel safe.

In addition, the continuing focus for the Council is on serving all our residents in Sunderland with the best possible services and support.

(a) Dynamic City

The Council is focused on securing Sunderland's long term future, and encouraging inward investment, advanced manufacturing and the development of hi-tech industries and new employment opportunities. A spread of action activities, that reflect the area within which the Council is able to most positively deploy its capital resources, form the core focus of this aim. In doing so these contribute towards Council funding in the longer term in the form of additional council tax, new homes bonus, business rates or land sale receipts, so contributing to the future sustainability of Council services.

The Council's Housing Strategy provides the vision for a greater choice of good quality homes which meet the needs and the aspirations of our residents.

(b) Healthy City, Vibrant City

(i) Improving Health and Wellbeing

The Council aims to enable and support individuals, families and communities to enjoy much better health and wellbeing, with less reliance on the public sector in the longer term.

(ii) Improving Education and Skills

It is the City Plan's aim that all children, young people and adults, wherever they live or work in Sunderland and regardless of their background or circumstances, should benefit from the best possible education and training opportunities in a safe and supportive environment that will allow them to thrive at every stage and in all aspects of their lives.

The Council also has a statutory duty to ensure that there are sufficient school places in the city.

(iii) Safeguarding our residents

The City Plan priorities in this area are;

- Supporting vulnerable children and families – providing services that help prevent and reduce the risk and harm to vulnerable children and services that will ensure the best possible outcomes for all our children, young people and families.

- Supporting vulnerable adults and carers – supporting vulnerable people to help them live as independent, healthy and active a life as possible.

- Building resilient communities – continuing to work collaboratively to build community capacity across the city.

(c) Council Internal Priorities

The Council must focus on the services it needs to provide and make sure we are as efficient as possible in doing so; 'invest to save' projects will be utilised where necessary to achieve this. We need to support innovation and collaborative ways of working to make sure the people in greatest need are supported. More must be done to address demand pressures and build individual and community resilience.

The Council will work with key partners to review physical assets on a city-wide basis and maximise the potential benefits and opportunities of wider capital and infrastructure planning (including health sector partners, the University, and Gentoo).

Also ensuring that strong partnership arrangements are in place to enable truly collaborative working with regional partners. This includes the key partnerships of the Tyne and Wear City Region, North East Combined Authority and North East Local Enterprise Partnership.

2.3 Services

Given the continued financial climate, planning for future capital investment will not only need to consider projects addressing key Council priorities but also those that will generate the greatest benefits in terms of delivery in the City, taking into account:-

- The aims and priorities set out in the City Plan and the 3,6,9 Vision for transforming the city, which identifies initiatives, projects and ideas that will help shape the city in the coming years focussed on the priorities of Economy, Housing, Connectivity, Culture and Education;

- The more detailed strategies that support the City Plan and 3,6,9 vision including in relation to Regeneration, Housing, Transport, the Local Plan and Culture;

- The need to continue to scan for opportunities for accessing additional public sector, Government and other external funding and to leverage private sector funding into the city;

- A commercial approach to securing capital investment in the city in order to deliver growth and jobs.

Also a required emphasis on investing to save and maximising return on investment, to:-

- Generate savings or support avoidance of additional revenue costs;
- Ensure a commercial return on investment;
- Grow the Council's income base;
- Attract and support more and better jobs and economic growth;

- Arrest and reverse our population decline and generate additional income in terms of New Homes Bonus and increased Council Tax from new housing;
- Provide infrastructure development which attracts and complements private sector investment and development, generating additional business rates; and
- Generate and support future funding opportunities and streams (which are likely to come through routes other than the public sector) which encourages and levers in private sector investment.

3.0 CAPITAL EXPENDITURE

3.1 Capitalisation of Costs

3.1.1 Whether acquired or self-constructed, fixed assets should initially be measured at cost. Only costs that are directly attributable to bringing the asset into working condition for its intended use should be included. Such costs should be capitalised only for the period in which the activities that are necessary to get the asset ready for use are in progress.

3.2 Governance of the Capital Programme

3.2.1 To ensure that available resources are allocated optimally and deliver value for money, capital programme planning is determined in parallel with the service and revenue budget planning process within the framework of the medium term financial strategy (MTFS).

3.2.2 The Council has mechanisms in place which seeks to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's aims. These include:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:
    - Full Council, which is ultimately responsible for approving the Capital Strategy, the Treasury Management Strategy and the Capital Programme;
    - Cabinet, which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Programme and recommends projects for inclusion in the Capital Programme. Cabinet also monitors delivery of the capital programme;
    - Scrutiny Coordinating Committee, which considers the programme of new starts for inclusion in the Capital Programme and reviews the MTFS to provide challenge, advice and commentary to Cabinet where appropriate; and
    - All projects which progress follow the requirements of the constitution and financial regulations including Financial Procedure Rules and Procurement Procedure Rules.

- Officer Groups which bring together a range of service interests and professional expertise. These include:
  - The Chief Officer Group (COG) which has overview responsibility for the development, management and monitoring of the capital programme;
  - Capital Strategy Board provides a framework within which the Council capital investment plans will be scrutinised and prioritised, and delivery of approved plans will be monitored;
  - Directorate Management Teams overseeing and proposing business cases for investments prior to finance and legal due diligence for submission to the Capital Strategy Board; and
  - Specific Programme and Project boards with wide ranging membership are also created as appropriate to oversee significant capital development projects as required.

3.3 Capital Programme 2019/2020 – 2022/2023

The current capital programme commits substantial resources over the four years to 2022/2023 and can be viewed at Appendix 4.

A quarterly financial review of the Capital Programme is reported to Cabinet each June, October and January outlining any in year variations.

3.4 Process for Prioritising New Capital Proposals

The annual process for identifying and prioritising new capital requirements involves a cross-section of stakeholders. The stages and roles within this process are outlined below;

Stage 1 - Identification and Prioritisation of Proposals within Directorates

Executive Directors, through discussion with Cabinet Portfolio holders, are requested to identify projects which are of high priority to their service area and are aligned with the City Plan. The supporting business case provides a clear justification for the proposal and sets out the rational for its priority level. In addition, Executive Directors undertake a full review of the existing capital programme to confirm that planned projects remain a priority for the Council.

Stage 2 - Initial Review and Challenge

The Financial Management section undertakes an initial review and challenge of the proposals received to ensure completeness and robustness of submissions.

Stage 3 - Corporate Strategic Review and Prioritisation

- Submissions are reviewed and challenged by the Capital Strategy Board who assess the relative priority of the submissions from a strategic perspective, aligned to the corporate priorities.

- The Capital Strategy Board recommend the projects to be taken forward for consideration to Chief Officer Group, after taking into account the total resources available and any consequences on the MTFS budget planning process.

Stage 4 - Member Review and Challenge

- Cabinet considers for recommendation to Council the prioritised proposed new start projects;
- Scrutiny Coordinating Committee reviews and challenges the recommendations from Cabinet;
- Cabinet considers the comments from Scrutiny Coordinating Committee and makes a final recommendation to Council;
- Council considers the recommendations from Cabinet and adopts the capital programme for the following 4 year period.

3.5 Monitoring of the Capital Programme

3.5.1 Monitoring of the programme includes expenditure profiling and the delivery against timetable for each project. This, in turn informs, the debt cost of projects and the associated revenue impacts.

3.5.2 Schemes are regularly monitored by project managers, supported by Financial Management, which informs quarterly reports to Cabinet that identify changes to the capital programme including;

- New resource allocations;
- Slippage and acceleration in programme delivery;
- Schemes reduced or removed;
- Virements between schemes to maximise delivery and outcomes;
- Revisions to expenditure profile and/or funding to ensure on-going revenue costs are minimised; and
- Revisions to timelines and significant changes in anticipated outcomes.

3.5.3 Non-financial outputs from the Capital Programme are monitored through the City Plan performance, capturing the wider benefits of schemes over a longer timeframe.

3.6 Longer Term Planning

The current capital planning cycle duration is 4 years, reviewed throughout the year, which covers the short to medium term capital investment requirements of the Council. The Prudential Code requires the Capital Strategy to consider the Council’s longer term capital investment requirements, although it does acknowledge that when taking a long-term view of assets, projections in later years are likely to involve a high degree of estimation.

The council capital programme plans for the period through to 2022/23 is set out at appendix 4 and totals £376.9m. Table 1 below provides a high level minimum estimate of the capital requirement over the subsequent 15 year period. The totals provided reflect the recurring elements of the capital programme necessary to maintain the status quo of asset groups. Non-recurring projects / initiatives, such as regeneration projects, are excluded from this analysis given their one-off nature.

The recurring elements of capital investment required to maintain service delivery are grouped in to a number of asset areas, these are;

- Highways – Improvement and maintenance of the Council's major highway assets including roads, bridges, footways and traffic signal equipment.

- Property – Improvement and maintenance of Council buildings to support front line services.

- Vehicles – Acquisition of vehicles, such as refuse collection vehicles and large specialist vehicles, to support front line services.

- ICT and Connectivity – Improvement and replacement of the Council's ICT infrastructure and devices to directly support Council services across the city.

Regeneration initiatives and other emerging schemes will be considered in line with the development of the City Plan.

<u>Table 1 – Long Term Capital Requirement Forecasts beyond Current Capital Programme Period</u>

Asset Group	**Forecast Requirement 5 Years (2023/24 – 27/28)**	**Forecast Requirement 10 Years (2028/29 – 37/38)**
	£m	**£m**
Highways (1)	18.750	37.500
Property (2)	3.750	7.500
Vehicles (3)	6.500	13.000
ICT (4)	2.500	5.000
TOTAL	**31.500**	**63.000**

Assumptions;

(1) Highways – £3.750m per annum rolling programme of planned maintenance works and improvements. This estimate does not include investment supported by external funding from the Department of Transport, this has historically totalled c£5m per annum for the Council and is anticipated to continue at this level.

(2) Property - £0.750m per annum rolling programme of planned property capital maintenance.

(3) Vehicles - £1.300m per annum rolling fleet refresh programme (based on 10 year full replacement programme estimate of £13m)

(4) ICT and Connectivity – £0.500m per annum rolling refresh of user devices and core infrastructure.

Actual budget allocations will be determined as part of the annual revenue and capital budget setting process taking in to account affordability at the time.

The level of investment noted in table 1 above would result in an average annual spend of £6.300m. This level of additional borrowing would require an increase of around £0.612m to the revenue budget each year for the 15 year period to take account of debt charges.

4.0 FUNDING APPROACH

4.1 There are external and internal funding sources which the Council explores to support the development of the Capital Programme, these include;

- Central Government and North East Local Enterprise Partnership (LEP) grants;
- Non-Government and European grants;
- Developer Private / Partnership Funding;
- Enterprise Zone Finance and Tax Incremental Finance;
- Capital Receipts and Council reserves; and
- Prudential Borrowing.

Each potential funding approach comes with varying conditions and risks which need to be assessed and then managed as part of the scheme delivery.

4.1.1 Central Government and Local Enterprise Partnership

- Grants are allocated in relation to specific programmes or projects and the Council seeks to maximise such allocations, developing appropriate projects and programmes which reflect government and the North East Local Enterprise Partnership (NELEP) led initiatives and agendas but which address priority needs in the city. Funding opportunities are beginning to emerge as part of the National Productivity Investment Fund (NPIF).

- Specific Government grants are utilised to support planned capital expenditure for maintenance of transport infrastructure, school buildings and provision of Disabled Facilities.

4.1.2 Non-Government and European grants

The Council continues to monitor opportunities to access non-government funding sources such as Heritage Lottery Fund, Historic England and the Arts Council to support the delivery of priority projects.

Opportunities to access EU funding programmes will continue for the next 2 years until all remaining funds are committed. In December 2017, the EU and the UK Government agreed that the EU Structural Funds would continue to operate as normal in the UK up until the end of 2020, with approved projects to continue until 2022 or 2023. While this agreement provides reassurance on the NELEP area's £437m ESIF allocation for 2014-2020, local government and regional partners continue to lobby for a UK successor programme that will operate beyond 2020.

4.1.3 Developer Private Funding

The Council has entered in to a number of private financing/partnering arrangements in recent years including, Siglion and the Sunderland Lifestyle Partnerships

The Council is committed to working with partners in the development of the City and its services. Various mechanisms provide opportunities to enhance the Council's investment potential with support and contributions from other third party and local strategic partners. These range from commissioning / facilitating others to develop services in the city, funding for regeneration projects, and through match funding / joint funding of developments.

4.1.4 Alternative Sources of Financing

Enterprise Zones:

The Council has three live Enterprise Zone sites: A19 Low Carbon Zone, land at the Port of Sunderland and IAMP Phase 1. The Government's Enterprise Zone model allows all business rates growth generated by the Enterprise Zone to be kept by the relevant NELEP for a period of 25 years. To unlock sites locally, the NELEP has approved a model of forward funding the required infrastructure work, whereby local authority borrowing is financed through the future flow of business rates growth receipts.

Tax Incremental Finance (TIF):

Tax increment financing (TIF) permits local authorities to borrow money for infrastructure projects against the anticipated increase in tax receipts resulting from the infrastructure. TIF arrangements need to be negotiated and agreed with Central Government.

4.1.5 Internal funding

- Capital receipts from asset disposals
  The Council has a substantial property estate, mainly for operational service requirements and administrative buildings. Reviews undertaken in accordance with the Asset Management Plan identify properties which are surplus to requirements and which can be disposed.

  Capital receipts from asset disposals represent a finite funding source and it is important that a planned and structured manner of disposals is in place to support the priorities of the Council. As part of its property rationalisation programme, the Council markets sites when it is felt to be the appropriate time in order to achieve best value and help support operational efficiencies. The Efficiency Strategy, approved annually by Council, includes the continued proposed use of capital receipts to support costs arising from implementing the Council's savings programme, in accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes through to April 2022.

The Council continues to maintain a policy of not committing receipts in advance of realisation and does not ring-fence the use of capital receipts to fund new investment in specific schemes or service areas. Instead, subject to any claw back provisions, resources are allocated in accordance with key aims and priorities.

While the Council does not commit receipts in advance of realisation, an indicative programme of sales of assets into future years is in place against which progress will be monitored and managed.

Receipts realised will be used to assist the Council's long term financial position. This will involve appraisal of the options to maximise revenue benefits, which could include:

- Repayment of existing debt;
- Mitigating requirements for future borrowing requirements in delivering the capital programme priorities;
- Funding of Transformation Projects that will deliver efficiencies; and
- Funding additional priorities.

- Capital Reserves
  Capital reserves are currently fully committed in support of the current capital programme. Opportunities for the creation of additional capital reserves will be considered in the light of the outturn funding position each financial year.

- Lease finance
  Leasing may be considered where this provides best value as an alternative to purchasing.

- Revenue
  Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). However, the general pressures on the Council's revenue budget and Council Tax levels limit the extent to which this may be exercised as a source of capital funding.

- Prudential "unsupported" borrowing
  Under the Prudential Code, the Council has discretion to undertake borrowing to fund capital projects. The full cost of that borrowing must be taken account of in the Council's budget, through the Minimum Revenue Provision (MRP) Policy. Any borrowing must be prudent, affordable and sustainable.

Given the pressure on the Council's revenue budget, prudent use has been made of borrowing where there was a clear financial benefit, such as "invest to save", "spend to earn" or major regeneration schemes, which provide a net return over and above the borrowing cost.

Council resources will be allocated to programmes based on asset lives to manage the long term yield and revenue implications. Where available, any capital receipts will be focused on those assets with short term life span (e.g. vehicles and IT investments) and the unsupported borrowing on long term assets (e.g. land and buildings).

5.0 DEBT, BORROWING AND TREASURY MANAGEMENT

5.1 Under the Prudential Code, local authorities have discretion over the funding of capital expenditure and the level of borrowing they wish to undertake to deliver their capital plans and programmes. However, capital spending plans must be affordable, sustainable and prudent. To demonstrate this, the Council's longer term financial needs, alongside a projection of forecast external debt and borrowing, are detailed within the Prudential and Treasury Indicators 2019/2020 to 2022/2023 and within the Treasury Management Strategy (TMS) Statement. This is approved annually by Council.

5.2 Table 2 below shows the estimated net revenue cost of debt charges and the future borrowing levels that will be required by the Council to meet its estimated capital financing requirement (CFR) over the 20 year timeframe included in the capital strategy. The table includes longer term capital financing requirements beyond the current capital programme timeframe that are identified in section 3.6 of this report but does not include other long term liabilities (e.g. PFI schemes and finance leases).

5.3 The CFR quantifies capital expenditure that 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 assets lives. Consideration will be given to utilising cash backed reserves to temporarily fund the Council's borrowing requirement.

Table 2

	2022/23 £m	2027/28 £m	2032/33 £m	2037/38 £m
Capital Financing Requirement	567.617	534.436	481.969	416.247
Existing External Debt	298.808	286.692	264.047	264.027
Additional External Debt Requirement	268.809	247.744	217.922	152.220
Net Debt Charges	23.300	28.296	31.625	34.230

The Council ensures that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the MTFS.

5.4 The liability benchmark for the Council is shown in table 3 below. This shows the Council's existing projected debt repayment profile through the Minimum Revenue Provision (MRP) (liability benchmark) set against the existing repayment profile implied by the actual maturity profile of borrowing taken out by the Council. The table suggests that the Council will have a cash surplus in the long term and that projected debt repayments through MRP will not match actual debt repayments. However following consultation and advice by the Council's treasury advisers, Link Asset Services, the Council has taken the decision to borrow over longer term periods. This borrowing has been taken out where it offers good value and to allow for the potential to benefit from refinancing debt in the future, a further benefit is that it reduces risk by giving certainty of borrowing rates over the long term.

Table 3

	Loan Debt Maturities	Liability Benchmark	% Variance	Permitted Range
< 1 year	2%	1%	1%	0% - 50%
1 – 2 years	3%	1%	2%	0% - 60%
2 – 5 years	7%	5%	2%	0% - 80%
5 – 10 years	5%	10%	5%	0% - 100%
10 – 20 years	5%	27%	22%	0% - 100%
20 – 40 years	24%	49%	25%	0% - 100%
> 40years	55%	7%	48%	0% - 100%

5.5 Borrowing Limits
All external borrowing and investment undertaken is subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all of the other TM Prudential Indicators.

Further details are detailed within the Prudential and Treasury indicators 2019/2020 to 2022/2023 (appendix 5).

5.6 Debt Repayments
The Council is required to repay an element of its capital financing requirement each year through a revenue charge known as the MRP. The Council must set a prudent amount of MRP in an annual MRP Policy Statement that is approved by Full Council each year (see appendix 6).

5.7 Treasury Management Governance and Risks
The Local Government Act 2003 and subsequent guidance requires the Council to set out its Treasury Management Strategy (TMS) for Borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing both its borrowing and its treasury investments, which gives priority to the security and liquidity of those investments.

The strategy for 2019/2020 is set out in Appendix 8 and been prepared in accordance with the revised Prudential Code.

6 COMMERCIAL ACTIVITY – INVESTMENT STRATEGY

6.1 Since 2010 local government finances have been restricted by annual grant reductions, with much greater emphasis on self-sufficiency. The Council's capital strategy aims to support this agenda by increasing the physical and economic regeneration of the city, to generate more business rates and council tax to support council services.

6.2 In recent years, a number of local authorities have increased their property portfolio for purely commercial / income reasons, often outside of their geographic area, in order to support existing council budgets faced with continued grant reductions. This practice has drawn concern from both CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG) around the risk and security of funds from such commercial activity. MHCLG has subsequently updated its Statutory Investment Guidance, which requires that authorities:

- Prepare an investment strategy for approval by council once a year;
- Disclose the contribution that investments make "toward the service delivery objectives and / or place making role of the local authority";
- Include indicators that enable assessment of the authority's investments and decisions taken;
- Must not "borrow in advance of need" to profit from the investment of the sums borrowed. This requirement now applies to non-financial investments (e.g. investment in commercial property that is solely commercial) rather than financial instruments. In the past, investment in commercial property would have counted solely as capital expenditure and so could have been funded by borrowing; and
- If they do borrow in advance of need for profit, authorities must set out the reasons for their non-compliance in the strategy and their risk management arrangements.

6.3 To date, the Council has not entered into any investment decisions (outside of Treasury Management transactions) that solely focus on the commercial return of that investment. Whilst some capital developments and loan agreements in place have a commercial rate of return, and this is considered as part of any decisions approved, all such investments are principally to support the regeneration and economic sustainability of the city. The Council has no property assets defined as "investment assets" on its balance sheet.

6.4 The Council has prepared this investment strategy to comply with the statutory guidance issued by the MHCLG. In doing so, the overarching principles of any investment decisions are that;

- Investment decisions are made with the primary purpose of supporting the regeneration and economic resilience of the city, and that the benefit of such is set out as part of the decision making process. As such no borrowing "in advance of need" would be undertaken;
- Any proposals to undertake any such investment decisions would fully consider appropriate risks and security of funds as part of any decision making process and weigh up these risks against the anticipated benefits of the proposal;

- There would be a fully calculated and robust financial case of any proposal to be considered; and
- The approval for any such proposals follow the existing governance and approval process as set out in the council constitution.

6.5 Any on-going monitoring of investment decisions will be undertaken using existing channels i.e. revenue and capital monitoring. No additional mechanisms will be put in place given the Council does not intend to undertake any purely commercial activities.

6.6 This strategy and the related activity sits alongside the Treasury Management strategy referenced elsewhere, as well as having direct relationships with borrowing and Prudential Indicators. The Council will ensure that this policy is updated on an annual basis to be compliant with any such changes as required by CIPFA or the MHCLG.

6.7 Should the Council chose to undertake any investment decision in the future that is purely for commercial gain, full consideration of all financial and non-financial risks will be undertaken and subject to the appropriate approval process. The Investment Strategy would subsequently be updated to reflect any such change in approach.

7 OTHER LONG-TERM LIABILITIES

7.1 Councils may take on liabilities and hold investments explicitly in the course of service delivery including regeneration. Whilst not included within the Capital Programme or the Treasury Management Strategy, they are included within the wider capital strategy to give an overarching view of the Council's financial position.

7.2 As at 31st March 2018 the Council held £78.408m long-term liabilities in respect of PFI schemes;

- Waste Management Partnership £53.134m
- Replacement Street Lighting and Highways Signs £17.565m
- Sandhill View £7.457m

7.3 The Council also held finance leases liabilities of £5.980m at 31st March 2018 mainly in respect of Sunniside Multi Storey car park and the City Library building.

7.4 The Council has entered into a number of joint venture partnerships and provided loans to the following;

- Sunderland Lifestyle Partnership - In June 2015 the Council entered into a unique joint venture (JV) partnership, known as Sunderland Lifestyle Partnership, with Sports & Leisure Management Ltd (SLM), to manage and operate the city's leisure facilities. The JV is a private company limited by shares and is owned by the Council and SLM in equal shares (50:50) and is managed by a board of directors with an equal number of representatives from each party.

- IAMP LLP - This joint venture has been established with South Tyneside Council in order to deliver the International Advanced Manufacturing Park to the north of Nissan. Both parties own 50% of the LLP. Land currently held by IAMP has been financed through Local Growth Funding grant and member loans in the form of Loan Notes.

The Council also has the following Financial Guarantees in place;

- Future possible payments may be required to Gentoo (formerly the Sunderland Housing Group) under the terms of the Transfer Agreement established between the Council and Gentoo for claims relating to non-environmental and environmental warranties. This agreement was drawn up as part of the Large Scale Voluntary Transfer which took place on 26th March 2001 which transferred all Council Housing and related assets to Gentoo.

- In addition to this, the Council acts as a guarantor to the Tyne and Wear Pension Fund in respect of pensions for employees who were originally employed by the Council but transferred to Gentoo in March 2001.

- The Council also acts as a joint guarantor (along with other councils) to the Tyne and Wear Pension Fund in respect of pensions for employees of several bodies such as the Association of North East Councils (ANEC) and the North East Regional Employers Organisation (NEREO). The councils involved have agreed with the Pension Fund administrators that, in the unlikely event of any of these bodies failing, any pension deficit would be repaid over an agreed repayment period. Independently, the Council has similar arrangements in place for possible pension deficits with several other organisations.

These guarantees have all been judged to be insurance contracts and have been valued accordingly.

7.5 All other Long-term liabilities are subject to Council approval and detailed business cases are provided prior to approval being given. This includes clear identification and quantification of financial risks and any implied subsidy included in the proposals. All long-term liabilities are closely monitored for changes to assumptions made and the probability of financial guarantees being called upon.

8 KNOWLEDGE AND SKILLS

8.1 The respective disciplines which support the implementation of the capital strategy across the Council i.e. finance, legal, property, etc. are delivered by officers with the necessary skills and professional standing. Officers regularly attend training courses, seminars and conferences provided by CIPFA, RICS and other bodies to ensure they are up-to-date with emerging issues, regulatory changes and best-practice.

8.2 To ensure appropriate skill levels are available within the Council, suitable officers are provided with the opportunity to undertake professional training. The introduction of the Government's Apprenticeship Levy initiative is now supporting the financing of such development opportunities.

8.3 The Council uses Link 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 ensures 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.

8.4 Where deemed necessary, external advisers / consultants will be engaged to support Council officers. These engagements may cover work packages including; business case development, regulatory consideration / compliance, project appraisal and specialist project delivery advice and support.

8.5 New Councillors are provided with financial training as part of their induction programme by internal Finance Officers. In addition existing members can opt to receive refresher training as and when required, for example when they have a change in responsibly.

9 CONCLUSION

9.1 The Council has a long-established history of strong financial management. This Capital Strategy does not, in itself, introduce any new controls, but serves as a useful document as it summarises all of the arrangements in place around our capital activities. It highlights the comprehensive arrangements in place to ensure that the Council can balance the need for continued investment in the city with the requirement to set a balanced MTFS and address the on-going financial challenges that the Council faces.

Appendix 2

Current Approved Capital Programme Commitments from 2019/2020 to 2022/2023

Project	Existing Capital Programme		
	2019/2020 £m	2020/2021 to 2022/2023 £m	TOTAL £m
International Advanced Manufacturing Park (IAMP)	26.039	35.386	61.425
SSTC Phase3 Road	23.100	32.101	55.201
Parklife Football Hubs	12.779	2.571	15.350
Coastal Defence - Strategic Frontage 3 (SF3)	3.000	7.225	10.225
City Centre Regeneration	4.000	5.000	9.000
Port Enterprise Zone	5.207	2.642	7.849
Redevelopment of Parsons Depot	0.672	5.793	6.465
SSGA - Ryhope Doxford Link Road	1.000	4.000	5.000
Investment Corridor	1.444	3.169	4.613
Replacement Household Waste and Recycling Centre	3.500	0.750	4.250
Refuse Collection Vehicle Replacement Programme	0.000	3.780	3.780
Increasing Access to Heritage	2.500	1.000	3.500
Transport Schemes (non-major)	3.423	0.000	3.423
LED Street Lighting Phase 2	2.700	0.200	2.900
Railway Station including Public Realm	0.600	2.250	2.850
Strategic Land & Property Acquisitions	2.542	0.000	2.542
Solar PV Battery Storage	2.460	0.000	2.460
Bishopwearmouth Townscape Initiative Phase 2	1.064	0.963	2.027
SSGA - School Extensions to St Pauls & Benedict Biscop	1.869	0.000	1.869
Provision for Economic Development	0.342	1.400	1.742
A19/A690 Doxford Park Junction Improvement Scheme	1.719	0.000	1.719
Public Realm - former Crowtree Road Leisure Centre	1.702	0.000	1.702
PRU Provision - Refurbishment of Former Springwell Dene School	1.125	0.000	1.125
Sunderland Seafront Trust - CCF Round 5	0.050	1.000	1.050
Specialist (Large) Vehicle Replacement Programme	0.138	0.909	1.047
Other Schemes (<£1m)	5.388	0.500	5.888
TOTAL CURRENT PROGRAMME	**108.363**	**110.639**	**219.002**

Appendix 3

Capital Programme 2019/2020 to 2022/2023 – New Starts / Additional Investments

1. Other Capital New Start / Additional Investment Proposals 2019/2020 to 2022/2023

The following projects are proposed for inclusion in the 2019/2020 capital programme. Gross amounts represent the total estimated project cost. For projects with other funding provision, the net amounts represent the estimated net increase in Council financial investment after taking into account external funding or existing capital programme provision.

1.1 Deputy Leader New Start Proposals

1.1.1 Port Dock Gates & Associated Infrastructure £1.564m project cost in 2019/2020

Planned full refurbishment of Number 3 Dock Gates & associated infrastructure at the Port of Sunderland. These gates were installed in 1955, and continue to require periodic capital maintenance. Earlier in the year the period of significant adverse weather (the 'Beast from the East') resulted in the gates remaining closed for almost three weeks until relevant emergency works were undertaken to resume marine operations. This caused significant business interruption issues for the Port and also to a number of its customers.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will safeguard the port business activity and provide continued support for the city wide economy, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- City Wide Infrastructure.

1.1.2 Port General Infrastructure, Equipment & Plant £0.750m project cost (£0.250m in 2020/2021, £0.250m in 2021/2022 and £0.250m in 2022/2023)

Investment in infrastructure, plant and equipment will be used to support the on-going operational requirements of the Port, including addressing minor plant/machinery investment, health and safety, and general infrastructure requirements as they arise. This investment extends the current annual £0.250m beyond 2019/2020.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will safeguard the port business activity and provide continued support for the city wide economy, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- City Wide Infrastructure.

1.1.3 Provision for Economic Development Grants £0.700m project cost in 2022/2023

Provision for financial assistance for inward investment and job growth in order to lever significant job creation and private sector investments. Growth areas including Vaux and IAMP may require assistance packages over coming years. This investment extends the current annual £0.700m for a further year beyond 2021/2022.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
Investment will provide benefits across the city by attracting inward investment, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment.

1.2 Cabinet Secretary New Start Proposals

1.2.1 Civic Centre Replacement £41.381m project cost (£2.274m in 2019/2020, £12.946m in 2020/2021, £16.645m in 2021/2022, £5.548m in 2022/2023 and £3.968m in 2023/2024)

Replacement Civic Centre at Vaux Site as approved by Cabinet 17th October 2018. This value represents the latest estimate of the Council element of the potential Public Sector Hub development, which is currently being assessed as the business case is being progressed.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will support city centre regeneration and unlock the potential of the existing Civic Centre site for housing, in line with the emerging Holmeside Masterplan, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Supporting Front Line Services.

1.2.2 Planned Property Capital Maintenance £2.273m project cost in 2019/2020

Various essential construction, mechanical and electrical services based projects/works required to maintain/improve the Council's property portfolio.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment provides city wide customer service delivery benefits, and will contribute to the following strategic priorities:

- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.2.3 ICT Infrastructure £2.720m project cost (£0.520m in 2019/2020, £0.510m in 2020/2021, £1.440m in 2021/2022 and £0.250m in 2022/2023)

Five strands of investment into ICT services:

- Replacement of End User Devices, £1.020m. To implement a programme for the continued replacement of physical end user devices (laptops and base units) across the Council when they reach the end of their effective lifecycle (recommended every 4 years).
- Replacement of Storage & Server Infrastructure, £0.750m. In 2016 the Council replaced its entire corporate server and storage infrastructure in both the main Moorside data centre and the disaster recovery/secondary data centre at Jack Crawford House. As the industry standard lifespan for servers and storage infrastructure is 5 years, in 2021 this infrastructure will be at the end of its effective lifecycle and due for replacement.
- Upgrade or Replacement of Virtualised Desktop Infrastructure, £0.440m. In November 2021 the hardware running the current Citrix virtualised desktop infrastructure is end of life, is no longer supported, is open to vulnerabilities and cyber security risks and therefore the hardware must either be replaced or an alternative solution to deliver desktop services must be sourced.
- Disaster Recovery/Secondary Data Centre Replacement, £0.260m. Replacement of the Council's disaster recovery/secondary data centre which is currently located at Jack Crawford House.
- Civica Revenues & Benefits System, £0.250m. Purchase of a 5 year Enterprise Licence from Civica (current software supplier to Revenues and Benefits).

The above investments are also expected to provide efficiencies to support the Medium Term Financial Strategy.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will directly support Council services across the city which in turn will benefit all local residents via support to all Council services from provision of modern ICT support, and will contribute to the following strategic priority:

- Supporting Front Line Services.

1.3 Children, Learning and Skills New Start Proposals

1.3.1 Willow Fields Primary School Relocation £4.942m gross project cost, £4.732m net (£0.410m in 2019/2020, £3.300m in 2020/2021, £1.171m in 2021/2022 and £0.061m in 2022/2023)
In order to respond to the increasing condition requirements of the build and emerging need for increased school places (linked to the Council's housing expansion strategy in North Sunderland), it is proposed that the existing Willow Fields Primary School is moved to a new build at the former Maplewood Special School site at Redcar Road. This will increase pupil place capacity from 140 to 315 and supports the new housing developments in the area. In addition, to not undergo this proposal there would be a requirement to spend circa £1m at the current school due to the condition of the buildings, and this would not address the pupil place requirements. The Council funding will be supplemented by £0.210m of Basic Need Education capital grant.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
This project will directly support residents in the North area of Sunderland, responds to the requirement for new school places from forthcoming housing developments and will contribute to the following strategic priorities:

- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.3.2 Children's Homes Compliance Work £0.080m project cost in 2019/2020
Works to ensure that the four Council-owned Children's Homes are compliant with regulation and are fit for the future.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project provides benefits for more vulnerable children across the city, and will contribute to the following strategic priority:

- Supporting Front Line Services.

1.3.3 Derwent Hill Facilities Improvements £0.300m project cost in 2019/2020
To drive bookings and therefore increase revenue a review is to take place on the use of the facility to determine which markets need to be targeted to ensure income is maximised. Following the review a number of improvements will be required.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will also benefit school children in the city who use the facility, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Supporting Front Line Services.

1.4 Community and Culture New Start Proposals

1.4.1 Sunderland Museum, Winter Gardens and Library Redevelopment Scheme £21.755m gross project cost, £5.760m net (£0.400m in 2019/2020, £0.200m in 2020/2021, £10.578m in 2021/2022 and £10.577m in 2022/2023)

Sunderland Museum and Winter gardens is the oldest "civic museum" outside London. Built in 1879, the building is grade II listed and lies within the boundary of the Sunniside Conservation Area. It is an iconic building within the City attracting over 300,000 visitors each year as well as hosting high profile exhibitions in partnership with National Museums and Institutions. The Winter Gardens was added in 2001 following a £10m investment from Heritage Lottery Fund (HLF). However, 17 years on, much of the building and many of the exhibits are "tired" and in need of refurbishment. In 2017, the City Library moved into the building from Fawcett Street, being a real opportunity for the museum and library to partner on a range of activity and has drawn a new audience for both. However, there are limitations for library delivery, predominantly linked to space. It is proposed to undertake a planned refurbishment to improve the cultural offer in the city and seek to refurbish many of the tired exhibits as well as ensuring that the museum and library delivery is fully integrated to ensure maximum opportunity for events, programme, exhibitions and learning lessons. The proposal is subject to securing circa £16m external funding, primarily from the Heritage Lottery Fund, but also from other sources such as the Arts Council.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
Investment will provide improvements the city centre asset in East Sunderland with benefits to all residents as a key cultural asset in the city which is visited by schools and residents from across city and by out of city visitors, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure
- Supporting Front Line Services.

1.4.2 Neighbourhood Renewal £2.500m project cost (£1.000m in 2019/2020, £1.000m in 2020/2021 and £0.500m in 2021/2022)

Provision has been made for Neighbourhood Renewal investment to commence in 2019/2020. A review will be undertaken during the current financial year to develop specific projects, but it is expected that the capital investment will be allocated for devolved investment on projects identified to be a priority for neighbourhoods.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

The project will benefit residents across the city improving neighbourhoods in each of the 5 geographic areas, and will contribute to the following strategic priority:

- Neighbourhood / Area Based Infrastructure and Public Realm.

1.4.3 Festoon Lighting £0.250m project cost in 2019/2020

New festoon lighting and lighting motifs are required to replace, due to age and condition, the lighting currently along the seafront. Additional lighting (festoon and motifs) required to extend and connect the lighting from the seafront into the city centre, including Wearmouth Bridge. This will contribute to the city and city centre being dynamic and vibrant and will be complimented with the annual Festival of Light and Christmas events and programmes.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
This project provides direct benefits to the North and East Sunderland and to all residents of and visitors to the city, and will contribute to the following strategic priority:

- City Centre Regeneration
- Economic Regeneration and Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm

1.5 Environment and Transport New Start Proposals

1.5.1 Highways Asset Investment Programme £11.000m project cost (£2.750m in 2019/2020, £2.750m in 2020/2021, £2.750m in 2021/2022 and £2.750m in 2022/2023)

Government grants are provided for capital investment into the highways network via the annual maintenance grant and ad-hoc pot-hole funding, and there is revenue provision for minor repair works. However, it is recognised that this funding falls short to fully maintain these assets and there is currently a significant maintenance backlog. The Council approved funding of £1.5m p.a. above these grants for the years 2016/2017 to 2019/2020 to improve this network including bridges. However, in order to improve the condition of the Council's highway assets, including roads, footways and traffic signals and reduce the backlog further, additional investment is proposed from 2019/2020 through to 2022/2023.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will provide benefits / support to residents and visitors across the city, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure
- Supporting Front Line Services.

1.5.2 Bridge Maintenance Investment Programme £4.000m project cost (£1.000m in 2019/2020, £1.000m in 2020/2021, £1.000m in 2021/2022 and £1.000m in 2022/2023)

Government grants are provided for investment into the capital maintenance of bridges via the annual maintenance grant, and there is revenue provision for minor repair works. However, it is recognised that this funding falls way short to fully maintain these assets and there is currently a significant maintenance backlog. As noted above, the Council approved funding of £1.5m p.a. above these grants for the years 2016/2017 to 2019/2020 to improve the highways network including bridges. However, in order to improve the condition of the Council's stock of bridges and to reduce the maintenance backlog, additional investment is proposed from 2019/2020 through to 2022/2023.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will provide benefits / support to residents and visitors across the city, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure
- Supporting Front Line Services.

1.5.3 Environmental Services Vehicles and Equipment £3.931m project cost (£2.558m in 2019/2020, £0.333m in 2020/2021, £0.288m in 2021/2022 and £0.752m in 2022/2023)
A series of investments in vehicles and equipment is proposed to support the Place Management Service Operations including:

- Replace existing specialist vehicle and plant fleet which will come to the end of their planned operational life during this period. These include replacement salt gritting vehicles, gulley cleansing vehicles, cash in transit security vehicles and horticultural grounds maintenance equipment. Consideration will be given at time of purchase to electric / hybrid options.
- Purchase new additional vehicles and equipment to support planned changes in front line service delivery in line with Council priority to improve local environment quality. This additional equipment comprises larger capacity cleansing tipper trucks, grounds maintenance tractors and equipment, additional mechanical pedestrian sweepers and two pavement jet wash cleaning machines. Consideration will be given at time of purchase to electric / hybrid options.
- Fit safety equipment to the fleet of large goods vehicles. The proposal will see all existing and future replacement large goods vehicles fitted over a two years priority based programme.
- Replacement wheel bin and recycling containers.
- Provision of a Vehicle and Equipment Management Information System to improve operational efficiency, track and inventory all equipment to ensure safe maintenance, operation and reduce asset loss. Replace several existing fleet IT systems with commercial management capability for customer billing and invoicing.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment provides city wide customer service delivery benefits and potential city wide environmental benefits through electric / hybrid vehicle options, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.5.4 Reconnecting Roker Park £3.550m gross project cost, £0.450m net of external funding with £0.216m of this currently provided for in the capital programme (£1.775m in 2020/2021 and £1.775m in 2021/2022)
Roker Park is one of the Council's Green Flag parks and is listed at Grade II by Historic England. The Council has sought external funding for this Park for a number of years with provision in the current capital programme. The Council continues to seek funding from the Heritage Lottery Fund, although the latest bid was confirmed as unsuccessful in December 2018. The project seeks to restore Roker Park, make it more sustainable and encourage commercial investment to help nourish this valuable community asset into the

future, maximise potential, and place heritage at the heart of a lively and engaging events and activities programme.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
While the improvements are to infrastructure in the north of the city, the Park is a city wide asset, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure
- Supporting Front Line Services.

1.5.5 Redevelopment of Parsons & Jack Crawford House Depots – Electric Vehicles Infrastructure £3.004m gross project cost, £1.502m net (£0.082m in 2019/2020, £1.474m in 2020/2021 and £1.448m in 2021/2022)

A new depot at Parsons is provided for in the current capital programme, and the design of this is in progress. To future proof the depots by ensuring that site energy can be provided from renewable sources including solar, wind and through the use of electric vehicle battery charging, an electric vehicle infrastructure is proposed at both the Parsons depot and Jack Crawford House. This investment will support the operation and maintenance of the Council's future ultra-low carbon (electric) fleet through the provision of a range of standard and high speed vehicle charging points and battery charging and storage facilities which work with the local electricity supply network and renewable energy generated on sites. This additional investment funding (50% through ERDF and 50% Council match) will future proof the new depots energy needs as well as facilitate the development of an ultra-low carbon vehicle operation and maintenance programme supporting the Council and future business partners. There will be savings on vehicle running costs and building utility costs through the move to renewable energy usage, being significant in addition to the other environmental benefits such as reduced air pollution. The proposal is subject to securing the £1.502m ERDF funding; the full application was submitted 2nd November 2018 following a successful outline application, and the outcome of the appraisal is expected in early 2019.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will deliver physical depot improvements in Washington with benefits across the city from a more efficient fleet and building service, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- City Wide Infrastructure
- Supporting Front Line Services.

1.5.6 Major Pipeline Scheme Design £1.000m project cost (£0.250m in 2019/2020, £0.250m in 2020/2021, £0.250m in 2021/2022 and £0.250m in 2022/2023)

This proposal is to ensure that sufficient resources are in place to develop designed solutions for Sunderland City Council's infrastructure aspirations, which can be utilised as part of external funds bidding processes.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
Project will benefit all areas of the city, and will contribute to the following strategic priority:

- Economic Regeneration & Inward Investment.

1.5.7 Panns East Quay Replacement £1.000m project cost in 2019/2020

Panns East Quay is one of the quays along the south side of the river adjacent to Douglas Court student accommodation block. The current steel sheet pile quay is deflecting from the land into the river over a 60m stretch, causing the public footpath along the edge of the river to collapse and the area is currently fenced of due for Health and Safety reasons. It is therefore proposed to reconstruct this 60m stretch of the Quay.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
This project provides direct benefits to the East Sunderland infrastructure and to all residents of and visitors to the city, and will contribute to the following strategic priority:

- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure.

1.5.8 Hillthorn Lorry Park Facility £0.750m project cost in 2019/2020

There are no existing HGV parking facilities in the Washington area, the nearest facilities being on the A1 (M). As a result of drivers wanting to be close to their delivery location, there is prevalence for HGVs to park on the public highway and other accessible areas throughout the Washington area. It is therefore proposed for infrastructure works to clear a vacant plot on the A19 – EZ3 (Hillthorn Park site) and to provide a hard-stand to be used as a lorry parking / lay-up area (including facilities) to accommodate 48 – 54 articulated HGVs.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
This project will provide direct benefits to the Washington area, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- City Wide Infrastructure
- Supporting Front Line Services.

1.5.9 Riverside Animation £0.400m project cost in 2019/2020

To develop a programme of works establishing a focus for River based leisure activities with Sunderland University on the North Bank of the Wear adjacent to the St Peters Campus.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will the enhance the riverside infrastructure, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- City Wide Infrastructure.

1.5.10 Holmeside Car Park £0.230m project cost in 2020/2021

Proposal is to create a surface 60 space car park on a site located on Holmeside, Sunderland to serve the Train, metro businesses, College and visitors to the City.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will result in increased income streams that will help to sustain city wide services in the city, and will contribute to the following strategic priority:

- City Centre Regeneration.

1.5.11 Replacement of Road Safety Vehicle £0.020m project cost in 2019/2020

Replace the existing Road Safety Vehicle, which is now 5 years old, used to carry out enforcement of bus stops and school keep clears.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will provide continuation of safety measures for all residents of and visitors to the city, and will contribute to the following strategic priority:

- Supporting Front Line Services.

1.6 Health and Social Care New Start Proposals

1.6.1 Day Centre Transformation £4.500m project cost in 2019/2020

A review of the day centre provision has identified key areas for capital investment to transform these services to provide:

- A fit for purpose provision for people with complex needs and disabilities that is future proof, assists informal carers to continue in this role and consequently delays or reduces the impact on adult social care services.
- Localised and cost efficient provision that reduces the need to move or transfer people out of city into high cost placements and services.

There are three planned proposals under this transformation:

- Remodelling and re-provision of Washington Multipurpose Centre and the Fulwell Day Centre Site into single new build which is fit for purpose and future proof for people with complex disabilities and behaviours.
- New build(s) or investment in a current site(s) to establish a building based "safe space" for adults with complex mental health issues and associated behaviours that could also deliver stimulation and outcome based activities as part of a day centre offer. Service could also act as a base for outreach workers.
- Development of the Northeast Disabilities Resource Centre day centre offer linked to new core and cluster accommodation that will support adults with an acquired brain injury and complex physical disabilities.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
Investment will provide physical benefits / support to residents across the city, and will contribute to the following strategic priorities:

- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.6.2 Emergency Accommodation £0.104m project cost in 2019/2020

Provision of self-contained apartments to include small kitchen areas and emergency/temporary residential accommodation for young people aged 18-21 who have come through the leaving care system or are homeless.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will benefit young adults from across the city, and will contribute to the following strategic priorities:

- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.6.3 Barnes Park Café (Coffee Shop) – Flood Defence Measures £0.025m project cost in 2019/2020

Flash flood events are becoming more common within Barnes Park which has seen the café premises flooded out with a significant effect on the business with lost income and reinstatement costs. The proposal is to undertake improvements to the Café, specifically on flood defence measures.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will provide direct benefits to the West area of Sunderland with benefits to all residents, and will contribute to the following strategic priority:

- Supporting Front Line Services.

1.7 Housing and Regeneration New Start Proposals

1.7.1 Additional Growth Corridor £5.000m project cost (£1.000m in 2019/2020, £2.000m in 2020/2021 and £2.000m in 2021/2022)

A scheme to support emerging major economic development and cultural facilities in IAMP and the City Centre delivered with strategic partners.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
This investment will support current major economic development schemes within the city, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment.

1.7.2 Empty Properties Programme £3.000m project cost (£1.816m in 2019/2020 and £1.184m in 2020/2021)

The number of empty properties in the City is increasing from 2,504 in March 2017, to 2,672 in March 2018 and to 2,758 in August 2018. The Council is in the process of implementing an empty homes pilot in Hetton Downs, which has demonstrated that owners will engage in selling or long leasing their properties to be refurbished, rented and therefore brought back into use. The proposition is to extend this pilot Citywide, targeting problematic empty properties in a similar manner over two years. The investment will create an asset that could be realised through disposal in the longer term whilst generating rental annual income until such disposal.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will benefit residents across the city improving neighbourhoods, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.7.3 Homeless Accommodation £2.300m gross project cost, £1.300m net (£0.710m in 2019/2020 and £1.590m in 2020/2021)

To develop bespoke, temporary and supported accommodation for small number of homeless people with the most complex needs. The accommodation will be staffed 24 hours with the aim of moving people into their own tenancies wherever this is possible. The project will support the Government's Rough Sleeper Strategy and accompanying Move On Fund which has the aim of freeing up hostel accommodation by creating move on accommodation for homeless people, either new build or through refurbishment. The proposal is subject to securing estimate of £1m via the Homes England Move On Fund.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project benefits vulnerable people across the city providing affordable and supported units of accommodation, and will contribute to the following strategic priorities:

- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.7.4 Heritage Action Zone Partnership Grant Scheme £0.890m gross project cost, £0.500m net (£0.545m in 2019/2020, £0.260m in 2020/2021 and £0.085m in 2021/2022)

Sunderland's Historic High Streets Heritage Action Zone (HAZ) has been established with Historic England to address the heritage and economic needs of the City Centre's and Old Town's declining historic High Streets, focussing on High Street West and Fawcett Street. The Partnership Grant Scheme will deliver key elements of the HAZ Delivery Plan by securing the repair, restoration and enhancement of key landmark listed building City Blocks of Hutchinson's Buildings / Mackie's Corner and 170-175 High Street West together with wider conservation area enhancement through traditional shop front reinstatements. The proposal is subject to securing estimate of £0.390m via Historic England. It will also be supplemented by an estimate of £0.240m third party contributions to the grants provided by the Council; this will increase the total investment into these assets to £1.130m.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will deliver physical improvements in the East of Sunderland with benefits to all residents, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment.

1.7.5 Strategic Acquisitions £1.800m project cost in 2019/2020

Provision for real estate investments to support strategic economic regeneration overseen by the establishment of an Investment Board. Proposals will be brought forward in accordance with the Council policy for the acquisition of land and buildings.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will support the city wide population through increased opportunities for greater footfall in the city centre while generating increased business rates to support all Council services, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment
- Supporting Front Line Services.

1.7.6 Regeneration Feasibilities £0.580m project cost in 2019/2020

Proposal for the provision of a regeneration feasibilities fund to support early planning and options appraisal for future potential capital projects.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will support early planning and options appraisal for future potential capital projects, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm
- City Wide Infrastructure
- Supporting Front Line Services.

1.7.7 Hendon Health Centre Demolition £0.125m project cost in 2019/2020
To mitigate holding costs such as rates, security, repair/vandalism and utilities until the site is sold, it is proposed that the building be demolished.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The project will benefit the East Sunderland area, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm.

1.7.8 Roker Promenade and Pier CCTV Infrastructure £0.055m project cost in 2019/2020
Over recent years the Council, external partners and private sector investment has seen the face of Roker completely change, with well over £5m of infrastructure, commercial developments and tourist attractions delivered. Following the successes of these previous schemes, this project seeks to invest in security infrastructure in the area, protecting those investments made.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
While the investment provides improvements in North Sunderland, there are benefits for all city residents given the seafront area is a city wide asset, and will contribute to the following strategic priorities:

- Economic Regeneration & Inward Investment
- Neighbourhood / Area Based Infrastructure and Public Realm
- Supporting Front Line Services.

1.7.9 Strategic Developments £28.000m project cost in 2019/2020
Provision for strategic developments to support economic development and regeneration of the city.

Area Outcomes / Benefits and Contribution to Strategic Priorities:
The investment will support the city wide population through increased opportunities for greater footfall in the city centre while generating increased business rates to support all Council services, and will contribute to the following strategic priorities:

- City Centre Regeneration
- Economic Regeneration & Inward Investment

2.0 Highways Capital Funding 2019/2020

2.1 The Government announced in 2013 that it would be making available £5.8 billion capital - £976 million each year – by the end of this parliament to tackle highway maintenance on the local highway network.

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. In 2015, the DfT released details of the Incentive Fund scheme to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements. Each local highway authority in England (excluding London) was invited to complete a self-assessment questionnaire, in order to establish the share of the Incentive fund they will be eligible from 2016/17, and included in the Highways Maintenance allocation, with reviews each year.

Since the North of Tyneside Combined Authority (NOTCA) was formed, a Joint Transport Committee had been established for all transport matters covering all the 7 LA's in the north east. The North East Combined Authority (NECA) and the NOTCA has received confirmation from the DfT on Integrated Transport allocations awarded to Tyne & Wear, Durham and Northumberland. These are for 2019/2020 with indicative allocations for the following year; all years being the same allocations, but following the national top-slice of 43.7% from the 2014/2015 allocation transferred into the Local Growth Fund.

The 2019/2020 funding arrangements for each local authority in NECA/NOTCA had been agreed by the Joint Transport Committee. For Sunderland the allocation is £1.606m, being an allocation from the Tyne & Wear funding as in previous years. There is also a top-slice from this and the above Highways Maintenance to fund a regional transport team and a contribution to Urban Traffic Management Control (UTMC) centre, as well as provide for continuation of collaborative projects within the Tyne & Wear region.

The DfT has until recently provided additional monies for fixing pot holes via the Pothole Action Fund, with the latest being £0.093m via the Flood Resilience Fund for 2018/2019 (plus £0.269m provided for 2017/2018). As yet, there is no confirmation of funding for 2019/2020.

The Chancellor announced on 29th October 2018 as part of the Autumn Budget, that Local authorities will receive £420 million to fix potholes on roads and renew bridges and tunnels. This funding was made available immediately and is required to be spent this financial year. Sunderland's allocation has since been confirmed as £1.466m.

The Transforming Cities Fund (TCF) builds on the Government's Industrial Strategy and provides city regions with the opportunity to access funding for strategic transport and infrastructure projects. In September 2018, the Government announced that the North East was one of twelve regions/cities to be shortlisted to bid for a share of this funding. DfT has confirmed that £60m will be made available under Tranche 1 from 2018/2019 to share across transport schemes aimed at tackling some of the most pressing challenges faced by communities. The North East bid was submitted on 4 January 2019. The DfT has advised that Tranche 2 guidance will not be available until early 2019. In preparation for this, the local authorities and Nexus will commence prioritisation of the strongest schemes that fit the Fund objectives. The capital funding is expected to span a five year period up to 2022/2023.

Stage 2 Housing Infrastructure Fund bid to Ministry of Housing, Communities and Local Government is to be submitted March 2019. This includes significant planned funding for roads to support new housing delivery in the Sunderland Southern Growth Area. Outcome of the bid is expected early Summer 2019.

2.2 The table below details the Highways Capital Funding announced for 2018/2019 to 2019/2020, and indicative allocations for 2020/2021.

Funding Source	**2018/2019 £'000**	**2019/2020 £'000**	**2020/2021 £'000**
Highways Capital Maintenance	2,660	2,660	2,660
Highways Capital Maintenance – Incentive Funding *1	558	558	558
Pot Hole Funding	93	Tbc	Tbc
Highways and Bridges - Budget Autumn 2018	1,466	0	0
Highways Integrated Transport	1,606	1,606	1,606
Nexus Allocation	42	42	Tbc
National Productivity Investment Fund (NPIF) - Transport	3,360	Tbc	Tbc
Safer Roads Funding *2	0	0	783
Highways England Growth and Housing Fund	0	1,439	0
Total Transport	**9,785**	**6,305**	**5,607**

Future years allocations are indicative.
*1 The Council is now meeting Level 3 requirements – the highest to secure the most funding available.
*2 £0.783m Safer Roads funding has been confirmed. However, the DfT confirmed that funding is for scheme costs from 2020/2021 and that they will write to the Council in 2019 to confirm the exact funding arrangements.

The total confirmed funding for transport schemes for 2019/2020 from new grants is therefore £6.305m.

Proposals for Highways Capital Programme New Starts 2019/2020

2.2.1 The proposed capital programme for 2019/2020, excluding funding for the on-going commitment in relation to the Sunderland Strategic Transport Corridor 3 (SSTC3) Road of £1.6m and the £1.439m Highways England funding for A19/A690 Doxford Park junction improvements, will leave **£3.266m** (£6.305m less £1.6m, less £1.439m) to support the following priorities:

- The structural maintenance of highways – £1.415m.
- The structural maintenance of bridges – £0.354m.
- Economic development and regeneration by managing congestion; support safe and sustainable communities by improving Road Safety and, improving access; address climate change by promoting sustainable travel - £1.455m (including £0.156m for the regional Transport team & UTMC centre.)
- Public transport infrastructure improvements, Nexus funded - £0.042m.

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

3.0 Health, Housing and Adult Services Capital Proposals 2019/2020

3.1 The Better Care Fund allocation for 2018/2019 is £3.312m, with all this funding supporting Disabled Facilities Grants. In December 2018, further funding of £0.338m for Disabled Facilities Grants was confirmed following the 2018 Autumn Budget announcement. This was topped up in January 2019 by a further £0.058m disabled facilities grant for 2018/2019, following the decline by some local authorities of their indicative allocation which has been redistributed to those authorities who indicated that they could spend more than their indicative allocation.

The Better Care Fund allocations for 2019/2020 have yet to be confirmed. Upon funding confirmation, proposals will be reported back to Cabinet for approval.

4.0 Children's Services Capital Proposals 2019/2020

4.1 The table below details the Children's Services Government Grants announced for 2019/2020 onwards.

	2018/2019 £'000	2019/2020 £'000	2020/2021 £'000
Schools Condition Allocation	1,101	0	0
Education Basic Need	0	386	817
Schools Devolved Funding	339	0	0
Special Educational Needs and Disability grant	166	283	167
Healthy Pupils Capital Fund	91	0	0
Total Children's Services	**1,697**	**669**	**984**

4.1.1 Schools Conditions Allocation

The Schools Condition Allocations is provided to the Council for maintenance/improvement of Maintained schools. Academies and Voluntary Aided schools receive this funding direct from the Department of Education. As of January 2019, the Council has not yet received the value of its School's Condition Allocation for 2019/2020.

Separate to the above, the voluntary-aided sector is allocated grant funding (LCVAP) based on pupil numbers, and reflecting the governors' 10 per cent contribution and eligibility for VAT for Schools Condition Allocation.

4.1.2 Basic Need

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, Free Schools and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places can be provided where needed. In recent years the Council has not received a Basic Need allocation. However, the Council will receive a £0.386m Basic Need allocation for 2019/2020 and £0.817m for 2020/2021.

4.1.3 Funding Availability from 2019/2020

Current allocations:

There is £0.290m Education Capital grants (Schools Condition Allocation), excluding the schools Devolved Formula Capital (DFC) grant from which schools will determine their own priorities from their allocations, that will be available from 2019/2020 for School Asset Management Priorities, projected to be brought-forward from 2018/2019. The £0.553m is not yet committed to projects and therefore available for new and emerging schools asset management priorities.

There are two allocations/awards of £0.167m, Special Educational Needs & Disabilities (SEND) capital grant that will be available for 2019/2020 and 2020/2021. There has since been a further “top up” allocation of £0.116m, to be allocated in 2019/2020. This Grant is to be used to increase capacity in the SEND and alternative provision sector.

4.2 Proposals for Children’s Services Capital Programme New Starts

4.2.1 The Council is committed to carrying out an on-going set of improvements across the maintained educational estate in the City. The focus of investment is health and safety, keeping buildings wind and watertight and thereby avoiding school closures. Upon confirmation of allocation for 2019/2020, priorities will be identified and reported to Cabinet as required.

4.2.2 Cabinet has approved works associated with the relocation of the current Willow Fields Primary School to a new build on the former Maplewood Primary School site in North Sunderland. This includes £0.210m Basic Need grant funding from 2019/2020, leaving an uncommitted balance of **£0.176m** from the 2019/2020 allocation for this.

4.3. Additional Potential Proposed Works

4.3.1 Work is underway to assess potential further increase of places for pupils on the Autistic Spectrum (ASD). At present, all the ASD provision in the City is at capacity. The Council has submitted an expression of interest to the DfE for capital funding to redevelop the former Bishop Harland CE Primary School site as a new 96 place ‘all through’ ASD setting. The Council has received confirmation that the project has initial approval. A new school is to be developed and delivered with a proposed January 2021 opening date. The Council has been provided with an initial grant of £0.066m for site investigations and feasibility works. The DfE have confirmed a funding rate of £1,600 per square metre for construction costs with the total indicative budget of £6.149m, but have yet to confirm the grant funding allocation. Upon confirmation, Cabinet will be requested to approve the project into the Capital Programme from the final funding package.

4.3.2 The balance of funding available for further investment is therefore £0.466m from the confirmed allocations up to 2019/2020 (£0.290m plus £0.176m for 2019/2020).

4.3.3 Upon confirmation of further funding allocations and completion of any proposals, capital investment requirements will be submitted to Cabinet for approval, where required.

Capital Programme

Summary of Programme 2018/2019 to 2022/2023

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.18 £'000	Estimated Payments 2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000
Deputy Leader	187,448	66,421	42,134	34,846	8,730	19,667	15,650
Cabinet Secretary	61,190	5,489	6,867	7,527	13,456	18,085	9,766
Children's Learning and Skills	22,677	10,031	3,728	4,386	3,300	1,171	61
Community and Culture	54,962	2,567	9,040	16,929	4,771	11,078	10,577
Environment and Transport	315,940	137,212	48,217	54,178	49,288	21,655	5,390
Health and Social Care	13,083	3,435	4,269	4,879	250	250	0
Housing and Regeneration	89,629	19,991	8,605	46,201	11,628	3,204	0
TOTAL CAPITAL EXPENDITURE	**744,929**	**245,146**	**122,860**	**168,946**	**91,423**	**75,110**	**41,444**

CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	56,149	95,358	56,931	51,359	26,067
Salix	6,204	2,700	200	0	0
Government Grants					
DoH - Grants General	56	0	0	0	0
DfE - School's Condition Grant	1,997	389	0	0	0
DfE - Basic Need Grant	132	386	0	0	0
DfE - Schools DFC Grant	583	136	0	0	0
DfT - Local Transport Plan (LTP)	6,622	4,968	0	0	0
DfT - National Productivity Investment Fund	3,360	0	0	0	0
Local Pinch Point	3	0	0	0	0
DfT - Pothole Grant	541	0	0	0	0
Environment Agency Coast Protection	909	649	1,000	1,930	0
English Partnership / SHIP	195	0	0	0	0
BIG Coastal Communities Fund	0	0	600	0	0
Local Growth Fund (LGF)	15,413	39,372	18,889	0	0
Department of Energy Climate and Change (DECC)	70	0	0	0	0
Better Care Fund Grant	3,708	0	0	0	0
DFT - Safer Roads Funding	126	0	0	0	0
Highways England	0	1,439	0	0	0
Healthy Pupil Capital Fund	90	0	0	0	0
Special Educational Needs and Disability	166	450	0	0	0
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	2,246	3,116	3,156	9,530	7,777
European Regional Development Fund	250	1,273	737	724	0
Homes and Communities Association (HCA)	94	0	0	0	0
Football Foundation	4,921	9,154	0	0	0
Nexus LTP	42	42	0	0	0
Historic England	9	239	114	37	0
Homes England	0	309	691	0	0
Coastal Revival Fund	45	0	0	0	0
Other External Funding					
South Tyneside Council	2,847	4,461	1,787	8,111	7,350
Gentoo	113	0	0	0	0
Nexus	658	600	1,500	500	0
Other Capital Contributions	206	137	77	94	0
Total External Sources	**107,755**	**165,178**	**85,682**	**72,285**	**41,194**
FROM INTERNAL SOURCES					
Revenue Contributions					
Strategic Initiative Budget	28	0	0	0	0
Directorate	7	22	12	15	0
Reserves					
Strategic Investment Reserve	3,743	785	0	170	0
Capital Priorities Reserve	3,527	31	3,780	780	0
Strategic Investment Plan Reserve	1,676	87	0	0	0
S106 Reserve	543	101	0	0	0
Port Reserve	436	582	0	0	0
New Homes Bonus Reserve	444	0	0	0	0
Modernisation Reserve	284	4	0	0	0
HCA Riverside Reserve	218	0	0	0	0
Unutilised RCCO Reserve	301	124	0	0	0
Commercial & Development Reserve	0	736	250	0	0
Other Capital Reserves	117	125	0	0	0
Capital Receipts	3,781	1,171	1,699	1,860	250
Total Internal Sources	**15,105**	**3,768**	**5,741**	**2,825**	**250**
TOTAL FINANCING	**122,860**	**168,946**	**91,423**	**75,110**	**41,444**

DEPUTY LEADER
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Business Investment									
CP0203	Energy Masterplan & Feasibility Assessment (DECC)	A feasibility study to provide a city-wide understanding of current and future heat demands across industrial, commercial and domestic uses in Sunderland, offering an important evidence base for the council and partners to develop appropriate solutions for improved energy management consumption, and the identify the necessary energy infrastructure requirements for key strategic sites.	HoPPC	120	10	110	0	0	0	0
	Strategic Economic Development									
CP0126	Vaux Site Cliff Works	Potential infrastructure works to the cliff top adjacent to the former Vaux site. Assessment to be made following completion of Phase 1 building works.	HoPROP	1,466	1,158	308	0	0	0	0
CP0136	A19 Ultra Low Carbon Enterprise Zone	Highway infrastructure works at the Enterprise Zone Site 3 to unlocks 90,000sq.m of developable floor space, generate potential 1,500 new jobs in the manufacturing industry along with private sector investment of £55m: Phase 1a works (Infiniti Drive) completed Dec 2015. Phase 1b works (A1290 realignment) completed and opened to traffic Sept 2017. Phase 2 works (Infiniti Drive extension and Nissan Way widening) completed November 2018.	HoI&T	24,378	20,341	4,037	0	0	0	0
CP0139	Investment Corridors	Infrastructure improvements in and around High Street West, including new street lighting and street furniture, new high quality paving materials and crossing upgrades to St Michael's Way. The Holmeside Masterplan will be completed and detailed designs commenced for public realm improvements in this area.	HoPR	9,260	4,587	60	1,444	675	2,494	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0142	International Advanced Manufacturing Park (IAMP)	Development of an International Advanced Manufacturing Park (IAMP) set to create over 5,000 jobs and attract over £400 million investment, building on links with Nissan local businesses to create an advanced manufacturing centre of excellence for the North East. IAMP is a joint venture between Sunderland and South Tyneside councils and is being promoted by IAMP LLP, a JV company which includes both Local Authorities.	EDoE&P	101,912	20,380	20,107	26,039	4,463	16,223	14,700
CP0266	Vaux Phase 1	Development of the first office building on the former Vaux site which will be 60,000 sq. ft. over 5 floors. In addition, infrastructure works of roads, footpaths and promontory will be undertaken.	HoPROP	25,812	14,389	11,423	0	0	0	0
	Port									
CP0145	Port Infrastructure	Investment in infrastructure, plant and equipment, in order to support the on-going efficient operation of the Port, including addressing minor plant & machinery investment, general infrastructure and health and safety requirements as they arise.	PD	1,209	676	283	250	0	0	0
CP0311	Port Remediation Works - Endurance Park	Surface infrastructure works to the cargo laydown area that will ensure the Port can continue to meet the requirements of contracts for the handling and storage of steel products, equipment for the offshore renewable energy sector and also to allow for the loading/unloading of goods to/from rail wagons.	PD	2,400	1,463	937	0	0	0	0
CP0313	Port Enterprise Zone	20 acres of land on two sites in the Port of Sunderland have been approved to form part of the North East's next wave of Enterprise Zones (round 2). Provision of enabling works will provide a development platform to prospective inward investors looking to take advantage of a port location and its multimodal operational facilities in sectors such as advanced manufacturing, automotive, construction and offshore renewable energy.	PD	8,201	109	243	5,207	2,642	0	0
CP0337	Port Greenwell Open Storage Area	Surface infrastructure works that will allow for the Port's Liebherr harbour mobile cranes to operate on the full length of the river berth, therefore increasing the Port's operational quay capacity for cargo handling operations and also to provide additional	PD	275	155	120	0	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
		cargo laydown for bulk, project and unitised cargoes.								
CP0365	Port Crane	Purchase of an additional harbour mobile heavy lift crane to provide resilience to the Port's cargo handling operation with 2 of its 5 existing cranes nearing the end of their useful life. The Port's turnover is heavily dependent on its cargo handling business which has seen an 80% increase since 2010 in terms of total cargo throughput to just less than 750k tonnes.	PD	2,876	0	2,876	0	0	0	0
CP0400	Port Dock Gates	Urgent maintenance works to the Port dock gates which also form part of the required actions that the Port's insurers and technical advisors have recommended.	PD	165	0	165	0	0	0	0
	Economic Development Grants									
CP0103	Provision for Economic Development	Provision for financial assistance for inward investment and job growth in order to lever significant job creation and private sector investments. Growth areas including Vaux and IAMP may require assistance packages over coming years.	HoAI&BS	6,360	3,153	1,465	342	700	700	0
TOTAL CONTINUING PROJECTS				**184,434**	**66,421**	**42,134**	**33,282**	**8,480**	**19,417**	**14,700**
	Projects Commencing 2019/20									
	Port									
CP0439	Port Dock Gates & Associated Infrastructure	Planned full refurbishment of Number 3 Dock Gates & Associated Infrastructure at the Port of Sunderland following the urgent maintenance works.	PD	1,564	0	0	1,564	0	0	0
CP0440	Port General Infrastructure, Equipment &Plant	Investment in infrastructure, plant and equipment will be used to support the on-going operational requirements of the Port, including addressing minor plant/machinery investment, health and safety, and general infrastructure requirements as they arise.	PD	750	0	0	0	250	250	250

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Economic Development Grants									
CP0441	Provision for Economic Development Grants	Provision of financial assistance for inward investment and job growth in order to lever significant job creation and private sector investments.	HoAI&BS	700	0	0	0	0	0	700
TOTAL PROJECTS COMMENCING 2019/20				**3,014**	**0**	**0**	**1,564**	**250**	**250**	**950**
TOTAL DEPUTY LEADER PORTFOLIO				**187,448**	**66,421**	**42,134**	**34,846**	**8,730**	**19,667**	**15,650**

Source of Finance	Estimated Resources				
	2018/19 £'000	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	22,888	12,171	5,354	10,856	8,300
Government Grants					
Local Growth Fund (LGF)	14,413	17,872	889	0	0
Department of Energy Climate and Change (DECC)	70	0	0	0	0
DFT - Safer Roads Funding	126	0	0	0	0
Other External Funding					
South Tyneside Council	2,847	4,461	1,787	8,111	7,350
Total External Sources	**40,344**	**34,504**	**8,030**	**18,967**	**15,650**
FROM INTERNAL SOURCES					
Reserves					
Capital Priorities Reserve	40	31	0	700	0
Strategic Investment Plan Reserve	0	87	0	0	0
Port Reserve	285	0	0	0	0
Unutilised RCCO Reserve	0	114	0	0	0
Capital Receipts	1,465	110	700	0	0
Total Internal Sources	**1,790**	**342**	**700**	**700**	**0**
TOTAL FINANCING	**42,134**	**34,846**	**8,730**	**19,667**	**15,650**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Management of Council Land and Buildings									
CP0106	Property Planned Capital Maintenance	Repair, renewal and upgrade works across the council's property portfolio.	HoPROP	3,636	3,023	613	0	0	0	0
CP0107	Low Water Corrosion / Riverside Repairs	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.	HoI&T	991	104	887	0	0	0	0
CP0272	Energy Efficiency - Northumbrian Water Smart Metering Programme	Development of a multi utility software package to analyse half hourly energy data, now being commercialised by Northumbrian Water. The second phase of the programme to develop a cost effective smart water metering system.	COO	130	15	115	0	0	0	0
CP0314	Solar PV Battery Storage	Upon securement of ERDF funding, there will be installation of solar PV and battery storage at Council buildings. This is expected to reduce electricity costs/carbon emissions and to access capacity auctions in conjunction with the National Grid. The buildings that would benefit by this investment are Jack Crawford, Evolve, Software centre, Washington Business Centre and the Port.	HoPROP	2,963	3	500	2,460	0	0	0
CP0317	Accommodation Review	Design and other preparatory works to inform of options for either a new or a significantly refurbished Civic Centre.	COO	250	34	216	0	0	0	0
CP0364	LED Lighting Energy Efficiency Works	Installation of energy efficient LED lighting at all retained operational properties. The project will be funded by 0% interest Salix loan which will be repaid using the first 5 years energy savings.	HoPROP	500	0	500	0	0	0	0
	ICT Projects									
CP0123	Electronic Document Management	The introduction of work flow, version control, storage and classification of documents and records.	HoCS,I&ICT	500	303	197	0	0	0	0

CABINET SECRETARY
CAPITAL PROGRAMME

Appendix 4 continued

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0181	IT Developments	A programme of activities to improve and better secure underlying ICT infrastructure to enable efficiencies within the Council.	HoCS,I&ICT	693	629	64	0	0	0	0
CP0286	Refresh of Essential Core ICT Infrastructure	A programme of activities aligned to a full review and rationalisation of the ICT estate to refresh end of life equipment and begin to transition to new on demand offerings.	HoCS,I&ICT	3,953	1,310	2,643	0	0	0	0
CP0340	Moorside Data Centre	Improvements to the electrical delivery systems, power generation capabilities and a refresh of the cooling infrastructure.	HoCS,I&ICT	1,200	68	1,132	0	0	0	0
TOTAL CONTINUING PROJECTS				**14,816**	**5,489**	**6,867**	**2,460**	**0**	**0**	**0**
	Projects Commencing 2019/20									
	Management of Council Land and Buildings									
CP0417	Civic Centre Replacement	Replacement Civic Centre at Vaux Site as approved by Cabinet 17th October 2018.	EDoE&P	41,381	0	0	2,274	12,946	16,645	9,516
CP0418	Planned Property Capital Maintenance	Various essential construction, mechanical and electrical services based projects/works required to maintain/improve the Council's property portfolio.	HoPROP	2,273	0	0	2,273	0	0	0
	ICT Projects									
CP0419	ICT Infrastructure	Five strands of investment into ICT services to provide efficiencies to support the Medium Term Financial Strategy: 1. Replacement of End User Devices. 2. Replacement of Storage & Server Infrastructure. 3. Upgrade or Replacement of Virtualised Desktop Infrastructure. 4. Disaster Recovery/Secondary Data Centre Replacement. 5. Civica Revenues & Benefits System.	HoCS,I&ICT	2,720	0	0	520	510	1,440	250
TOTAL PROJECTS COMMENCING 2019/20				**46,374**	**0**	**0**	**5,067**	**13,456**	**18,085**	**9,766**
TOTAL CABINET PORTFOLIO				**61,190**	**5,489**	**6,867**	**7,527**	**13,456**	**18,085**	**9,766**

CABINET SECRETARY
CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	919	5,775	12,946	16,645	9,516
Salix	1,632	0	0	0	0
Grants from Other Public Bodies					
European Regional Development Fund	250	1,232	0	0	0
Other External Funding					
Other Capital Contributions	125	0	0	0	0
Total External Sources	**2,926**	**7,007**	**12,946**	**16,645**	**9,516**
FROM INTERNAL SOURCES					
Revenue Contributions					
Directorate	5	0	0	0	0
Reserves					
Strategic Investment Reserve	2,037	0	0	0	0
Strategic Investment Plan Reserve	1,103	0	0	0	0
Modernisation Reserve	284	0	0	0	0
HCA Riverside Reserve	218	0	0	0	0
Unutilised RCCO Reserve	11	0	0	0	0
Capital Receipts	283	520	510	1,440	250
Total Internal Sources	**3,941**	**520**	**510**	**1,440**	**250**
TOTAL FINANCING	**6,867**	**7,527**	**13,456**	**18,085**	**9,766**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	DFC									
CP0085	Schools Devolved Capital	Schools devolved formula capital allocations to address the priorities identified by schools in their own asset management plans.	HoPROG	5,580	4,861	583	136	0	0	0
	Asset Management Projects									
	Major School's Asset Management									
CP0350	SSGA - School extentions to St Pauls & Benedict Biscop	Sunderland South Growth Area (SSGA) plans will generate demand for school places growth with 2 school extensions (105 places each) required meeting demand in advance of a new school requirement in the longer term. The upfront investment will be recouped through S106 over the longer term. Extensions are planned to St Pauls CE VC Primary and Benedict Biscop Primary Academy.	HoPROG	2,000	91	40	1,869	0	0	0
CP0386	Schools Capital Maintenance Works	Capital maintenance works to schools including roof repairs/replacement and structural repairs.	HoPROG	1,061	0	1,061	0	0	0	0
CP0260	School's Asset Management Unallocated	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	HoPROG	290	0	0	290	0	0	0
CP0396	Demolition of Former Maplewood School	Demolition of Former Maplewood School.	HoPROG	105	0	105	0	0	0	0
	Other Schools Asset Management Projects									
CP0212	School AMP - Primary	Provision of window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works in primary schools.	HoPROG	2,441	2,382	59	0	0	0	0
CP0214	School AMP - Special	Provision of window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works in special schools.	HoPROG	35	0	35	0	0	0	0
CP0205	Access Equipment	Purchase of equipment to assist children with disabilities to access school places.	HoPROG	54	29	25	0	0	0	0
CP0204	Asbestos and Legionella Management	Asbestos and legionella management for schools.	HoPROG	86	36	50	0	0	0	0
CP0327	New Condition Works / EAW	Delivery of electricity at work and schools condition surveys.	HoPROG	81	41	40	0	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0339	Ryhope B2B Learning Project Ryhope Library	Refurbishment of library to facilitate B2B / Young Mothers relocation from Hendon Health Centre.	HoPROG	99	4	95	0	0	0	0
	Special Needs - School Placements									
CP0370	PRU Provision - Refurbishment of Former Springwell Dene School	Re-Provision of PRU Services to increase and improve the capacity and facilities across the city to support children with Special Educational Needs and Disabilities (SEND).	HoPROG	1,425	0	300	1,125	0	0	0
	Healthy Pupils Capital Fund									
CP0389	Healthy Pupils Capital Fund	Development of school facilities to further maximise health and wellbeing of pupils, funded by the Government from the receipts of the soft drinks levy.	HoPROG	90	0	90	0	0	0	0
	Mechanical Works									
CP0387	School Mechanical Works	School Mechanical Works.	HoPROG	401	0	401	0	0	0	0
	Electrical Works									
CP0388	School Electrical Works	School Electrical Works.	HoPROG	124	0	124	0	0	0	0
	Other Children Services Projects									
CP0298	Children's and Adults Social Care Case Management System	Investment of a new case management system for Children's/Early help and Adult's that will support front line practitioners in discharging their professional duties to vulnerable children and adults in a more efficient and effective manner. The new Liquid logic system offers a range of software solutions for Children and Adult's services which can be used individually, or as an integrated whole.	HoIC	2,524	2,324	200	0	0	0	0
CP0393	Friends of Derwent Hill	Purchase of 2 Wooden Clad Camping Pods.	HoE	78	7	71	0	0	0	0
CP0348	Derwent Hill Campsite, Bungalow and Educational Centre	Derwent Hill improvements for: - Additional campsite accommodation, - Compliance works to the bungalow, and - Improved wheelchair access.	HoE	165	0	165	0	0	0	0
CP0435	Sandhill Centre	Creation of a separate access point to part of the Sandhill Centre building which is not currently being used into a space which is suitable for supervised family visits.	HoPROP	40	0	40	0	0	0	0
	Social Care									

CHILDRENS LEARNING & SKILLS SERVICES CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0292	Children Social Care Homes	Purchase of two social care homes being Monument View and Grasswell House.	HoPROP	500	256	244	0	0	0	0
TOTAL CONTINUING PROJECTS				**17,179**	**10,031**	**3,728**	**3,420**	**0**	**0**	**0**
	Projects Commencing 2019/20									
	Major School's Asset Management									
CP0436	Willow Fields Primary School Relocation	Relocation of the existing Willow Fields Primary School to a new build at the former Maplewood Special School site at Redcar Road. This will increase pupil place capacity from 140 to 315 and supports the new housing developments in the area.	HoPROG	4,942	0	0	410	3,300	1,171	61
	Other Schools Asset Management Projects									
CP0260	School's Asset Management Unallocated	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	HoPROG	176	0	0	176	0	0	0
	Social Care									
CP0437	Children's Home Compliance Work	Works to ensure that the four Council-owned Children’s Homes are compliant with regulation and are fit for the future.	DoCS	80	0	0	80	0	0	0
	Other Children Services Projects									
CP0438	Derwent Hill Facilities Improvements	Remedial work carried out to ensure to ensure the Derwent Hill facility meets the needs the customers and clients using the facility.	HoE	300	0	0	300	0	0	0
TOTAL PROJECTS COMMENCING 2019/20				**5,498**	**0**	**0**	**966**	**3,300**	**1,171**	**61**
TOTAL CHILDRENS PORTFOLIO				**22,677**	**10,031**	**3,728**	**4,386**	**3,300**	**1,171**	**61**

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	489	2,869	3,300	1,171	61
Government Grants					
DfE - School's Condition Grant	1,997	389	0	0	0
DfE Basic Need Grant	132	386	0	0	0
DfE - Schools DFC Grant	583	136	0	0	0
Healthy Pupil Capital Fund	90	0	0	0	0
Special Educational Needs and Disability	166	450	0	0	0
Other External Funding					
Other Capital Contributions	71	0	0	0	0
Total External Sources	**3,528**	**4,230**	**3,300**	**1,171**	**61**
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	200	80	0	0	0
S106 Reserve	0	43	0	0	0
Capital Receipts	0	33	0	0	0
Total Internal Sources	**200**	**156**	**0**	**0**	**0**
TOTAL FINANCING	**3,728**	**4,386**	**3,300**	**1,171**	**61**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Events, Culture & Sport									
CP0309	Parklife Football Hubs	Provision of 3 football hub sites - a sustainable approach to grass roots football within the city.	HoE	20,615	344	4,921	12,779	2,571	0	0
	Culture and Tourism									
CP0346	Sunderland Museum and Winter Garden Improvements	Update of the museum offer both from a visitor and service perspective, as well as a need to ensure best use of available resources. Works include maintenance and condition works, energy efficiency works and minor internal changes to maximise retail income generating opportunities.	HoPROG	375	0	375	0	0	0	0
CP0347	Increasing Access to Heritage	Investment to provide technological and other solutions to improve ready access to the heritage offer. Includes relocating Local Studies from Fawcett Stand and an increased heritage offer within Sunderland Museum and Winter Gardens with digital facilities. Project dependent upon securement of external funding.	HoPROG	3,500	0	0	2,500	1,000	0	0
CP0404	Coastal Revival Fund	Provision of a live classroom project with Sunderland College, using the College's apprentices on construction courses to facilitate the re-use of 170/1 High Street West as a new home for Pop Recs, a grassroots community organisation, as part of their wider music led development at 170-175 High Street West.	HoPR	45	0	45	0	0	0	0
CP0219	Canny Space Project	Council contribution to the Churches Conservation Trust for improvement/alterations at Holy Trinity Church which will transform into a new community/commercial venue and heritage attraction.	HoPROG	300	0	300	0	0	0	0
CP0176	Hylton Castle Redevelopment	Providing three new floors and a roof so that the castle can be repurposed as a community - led heritage centre. Centre expected to be open in Spring 2019.	HoPROG	2,934	755	2,179	0	0	0	0

**COMMUNITY & CULTURE
CAPITAL PROGRAMME**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0306	Fulwell Mill Restoration	Restoration works to bring back into use as a visitor attraction. Works include: newly designed and fitted cap, wind shaft, sails, brake wheel and mechanism, external repairs, replacement windows, and decoration of the tower, internal mechanical and electrical works. Project estimated to be completed by early spring 2018.	HoPROP	379	342	37	0	0	0	0
CP0329	Riverside Investigation Works	Large scale engineering investigation works are to be carried out along the riverside to inform maintenance requirements.	HoI&T	555	514	41	0	0	0	0
CP0312	Tall Ships Race 2018	Improvement to the dredging of quays and infrastructure to ensure a safe and successful delivery of the Event.	HoE	1,754	612	1,142	0	0	0	0
TOTAL CONTINUING PROJECTS				**30,457**	**2,567**	**9,040**	**15,279**	**3,571**	**0**	**0**
	Projects Commencing 2019/20									
	Strategic Economic Development									
CP0412	Neighbourhood Renewal	Provision for Neighbourhood Renewal investment to commence in 2019/2020. A review will be undertaken to develop specific projects, but it is expected that the capital investment will be allocated for devolved investment on projects identified to be a priority for neighbourhoods.	EDoPS	2,500	0	0	1,000	1,000	500	0
	Culture and Tourism									
CP0405	Sunderland Museum, Winter Gardens and Library Major Redevelopment Scheme	A planned refurbishment of the Sunderland Museum and Winter Gardens to improve the cultural offer in the city and seek to refurbish exhibits as well as ensuring that the museum and library delivery is fully integrated with Mowbray Park to ensure maximum opportunity for events, programme, exhibitions and learning lessons. The proposal is subject to securing circa £16m external funding, anticipated primarily from the Heritage Lottery Fund and ACE, but also from other sources.	HoPROG	21,755	0	0	400	200	10,578	10,577

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0406	Festoon Lighting	New festoon lighting and lighting motifs are required to replace, due to age and condition, the lighting currently along the seafront. Additional lighting (festoon and motifs) required to extend and connect the lighting from the seafront into the city centre, including Wearmouth Bridge. This will contribute to the city and city centre being dynamic and vibrant and will be complimented with the annual Festival of Light and Christmas events and programmes.	HoE	250	0	0	250	0	0	0
TOTAL PROJECTS COMMENCING 2019/20				**24,505**	**0**	**0**	**1,650**	**1,200**	**11,078**	**10,577**
TOTAL COMMUNITY AND CULTURE PORTFOLIO				**54,962**	**2,567**	**9,040**	**16,929**	**4,771**	**11,078**	**10,577**

COMMUNITY & CULTURE
CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	1,681	4,981	3,624	3,301	2,800
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	2,021	2,294	1,147	7,777	7,777
Football Foundation	4,921	9,154	0	0	0
Historic England	9	0	0	0	0
Coastal Revival Fund	45	0	0	0	0
Total External Sources	**8,677**	**16,429**	**4,771**	**11,078**	**10,577**
FROM INTERNAL SOURCES					
Revenue Contributions					
Strategic Initiative Budget	28	0	0	0	0
Reserves					
Modernisation Reserve	0	4	0	0	0
Unutilised RCCO Reserve	0	10	0	0	0
Commercial & Development Reserve	0	486	0	0	0
Capital Receipts	335	0	0	0	0
Total Internal Sources	**363**	**500**	**0**	**0**	**0**
TOTAL FINANCING	**9,040**	**16,929**	**4,771**	**11,078**	**10,577**

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Strategic Economic Development									
CP0137	Sunderland Railway Station	Redevelopment of the railway station in conjunction with Nexus and Network Rail who will complete the detailed design and redevelopment of the above ground concourse to Sunderland Station.	HoPR	3,000	242	658	600	1,500	0	0
CP0288	Minster Quarter Access Road	Provision of a new access road that will provide a direct link from the Minster Quarter area onto St Mary's Way.	HoPR	1,500	100	800	600	0	0	0
	Major Highway Schemes									
CP0003	Northern Spire (SSTC Ph2 - New Wear Crossing)	Construction of the 'Northern Spire' New Wear Crossing opened to traffic 29th August 2018.	COO	109,800	95,091	14,709	0	0	0	0
CP0194	SSTC Phase 3	Construction of a new road linking the Northern Spire new wear crossing and the city centre. The road is planned to be open to traffic in 2021.	COO	70,800	8,522	7,077	23,100	22,842	8,621	638
CP0281	Port Enterprise Zone and SSTC4/5 Design	Design and bidding proposal costs for Port Enterprise Zone and SSTC Phases 4/5.	HoI&T	250	114	136	0	0	0	0
	Local Transport Plan									
CP0024	Highway Maintenance	Implement the Highway Maintenance Programme of road resurfacing and footway reconstruction schemes.	HoI&T	15,477	11,668	3,209	600	0	0	0
CP0025	Bridge Maintenance	Annual programme of Structural Bridge maintenance.	HoI&T	2,557	1,563	994	0	0	0	0
CP0026	Integrated Transport	Annual programme for the implementation of Road Safety and Traffic Congestion improvement schemes.	HoI&T	10,092	7,982	1,466	644	0	0	0
CP0163	Houghton Cut Safety Works	Preparation of rockfall protection netting.	HoI&T	30	11	19	0	0	0	0
CP0226	Northern Gateway	Improving access to the Wearmouth Bridge and the City Centre via a two way traffic system.	HoI&T	6,000	1,297	4,703	0	0	0	0
CP0232	Parking Meters	The replacement and provision of parking meters for new locations in the City and an on-going programme of reviewing provision and introducing new locations for pay and display.	HoI&T	125	64	61	0	0	0	0
CP0237	Safety Fencing Replacement	Replacement of safety fences at priority locations identified, to ensure that public safety is protected.	HoI&T	485	267	218	0	0	0	0

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0249	Southern Growth Area - Highways Design	Detailed design of highway infrastructure necessary to complete the Ryhope Doxford Link Road and to open up development land in South Sunderland (Southern Growth Area).	HoI&T	50	37	13	0	0	0	0
CP0279	Highways Maintenance Asset Management	Improvement of the council's major highway assets including roads, bridges, footways and traffic signal equipment.	HoI&T	5,197	2,162	1,210	1,825	0	0	0
CP0330	Structural Maintenance of A195 Bridges	Structural maintenance to A195 Lambton Interchange Bridges and Harraton Hall Footbridge.	HoI&T	652	556	96	0	0	0	0
CP0342	A1231 Bridge Maintenance	A programme of Structural maintenance to bridges on the Nissan Interchange and Low Barmston Access Bridge.	HoI&T	790	381	409	0	0	0	0
CP0398	New City Boundary Signs	Provision of new city boundary signs.	HoI&T	150	0	150	0	0	0	0
CP0420	Highways and Bridge Maintenance	A programme of works to fix potholes on roads and renew bridges and tunnels, funded from the new funding provided via the 2018 Autumn Budget.	HoI&T	1,466	0	1,466	0	0	0	0
	Flood & Coast Risk Management									
CP0160	Flood and Extreme Weather Mitigation	Rolling programme of flood defence and flood alleviation schemes in accordance with the flood priority list and extreme weather repairs, as well as match funding flood studies jointly carried out by Sunderland City Council, Northumbrian Water and the Environment Agency.	HoI&T	4,246	2,397	1,000	849	0	0	0
CP0357	Coastal Defence - Strategic Frontage 3	Coastal defence scheme situated around east of the port which will protect the Ports infrastructure. The project is reliant upon successful external funding bids.	HoI&T	10,500	0	275	3,000	4,000	3,225	0
CP0390	Pier Emergency Repair Works	Emergency works to the piers following the storm damage March 2018.	HoI&T	1,600	0	740	860	0	0	0
	Infrastructure and Transportation									
CP0009	Private Streetworks	Council contribution to the upgrade of private streets.	HoI&T	50	0	50	0	0	0	0

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0310	LED Street Lighting Phase 2	Following on from the progress of phase 1 installation of LED lights, it is planned that a further 24,513 lamps of varying energy consumption be converted to LED lamps. The majority, over 20,000, is units currently burning between 100W and 250W of energy and the proposed replacements would burn at between 50W and 100W without detriment to required lighting levels.	HoI&T	7,900	428	4,572	2,700	200	0	0
CP0360	Roker Car Park Extension	Extension to the existing Roker car park will create an additional 25 spaces and disabled coach parking, generating additional income of circa £0.025m pa. Planned works will include improved signage, new bins and cycle parking.	HoI&T	150	0	10	140	0	0	0
CP0361	SSGA - Ryhope Doxford Link Road	New road infrastructure which will support new homes in SSGA in advance of S106 funding. SSGA is to provide; 4,000 family and executive homes and will result in council tax growth, New Homes Bonus, 300 affordable homes and significant construction job creation/safeguards.	HoI&T	5,000	0	0	1,000	3,000	1,000	0
CP0362	A19/A690 Doxford Park Junction Improvement Scheme	Capacity improvement measures at the A19/A690 Doxford Park junction including upgrade of the A19 southbound off-slip road. The proposals will support delivery of approaching 1,000 dwellings prior to 2021 and a further 4,000 dwellings subsequently, facilitating SSGA. Includes expected match funding from Highways England.	HoI&T	1,919	0	200	1,719	0	0	0
	Environmental Services (Street Scene)									
CP0161	Improvements to the Crematorium	Physical and structural improvements to the Crematorium.	HoPM	140	60	0	80	0	0	0
CP0185	Fleet Replacement	Plant lifecycle replacement of fleet within Place Directorate	HoPM	1,308	1,148	160	0	0	0	0
CP0186	Replacement of Cremators	Replacement of the crematorium equipment, comprising three cremators and associated emissions control system to ensure the reliable and compliant operation of the council's bereavement service.	HoPM	1,050	498	552	0	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0229	Recycling and Garden Waste Collection Fleet Replacement	Replacement of split body recycling and garden waste collection vehicles to continue the Council's existing service provision.	HoPM	2,846	1,866	980	0	0	0	0
CP0285	Parks & Cemetery Infrastructure - Paths	A four year repair inspection and maintenance programme from 2016/2017 in cemeteries and parks.	HoPM	300	101	124	75	0	0	0
CP0278	Specialist Vehicle Replacement - Collection Vehicles	Replacement of bulky item collection vehicles which have reached the end of their operational life.	HoPM	153	144	9	0	0	0	0
CP0352	Replacement Household Waste and Recycling Centre	Provision of new household waste facility. Planned relocation of the main facility with a further micro-site at Coalfields.	HoPM	5,000	0	750	3,500	750	0	0
CP0353	Refuse Collection Vehicle Replacement Programme	Planned replacement of the fleet of 20 refuse collection vehicles at the forecast end of life. Consideration will be given at time of purchase to electric / hybrid options.	HoPM	3,780	0	0	0	3,780	0	0
CP0354	Specialist (Large) Vehicle Replacement Programme	Planned replacement of large specialist vehicle and plant fleet purchases in order to ensure most efficient use of resources. Consideration will be given at time of purchase to electric / hybrid options.	HoPM	1,920	0	873	138	489	420	0
CP0355	Redevelopment of Parsons Depot	Provision of one operational depot at Parsons, Washington to replace South Hylton House and Houghton (Jack Crawford House would be retained). The project would include provision for the alternative location for the salt barn currently on located on the SSTC3 route.	HoPM	6,854	4	385	672	4,915	878	0
	Coast Protection									
CP0039	SF 3 - Initial Development Works	Initial development works for Strategic Frontage 3.	HoI&T	199	78	121	0	0	0	0
	Play Provision									
	Play and Urban Games Strategy :									
CP0189	Play Provision Schemes	Improvement works to play areas across the city.	HoPM	453	431	22	0	0	0	0
TOTAL CONTINUING PROJECTS				**283,789**	**137,212**	**48,217**	**42,102**	**41,476**	**14,144**	**638**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Projects Commencing 2019/20									
	Local Transport Plan									
CP0024	Highway Maintenance	Implement the Highway Maintenance Programme of road resurfacing and footway reconstruction schemes.	HoI&T	1,415	0	0	1,415	0	0	0
CP0025	Bridge Maintenance	Annual programme of Structural Bridge maintenance.	HoI&T	354	0	0	354	0	0	0
CP0026	Integrated Transport	Annual programme for the implementation of Road Safety and Traffic Congestion improvement schemes.	HoI&T	1,497	0	0	1,497	0	0	0
CP0421	Highways Asset Investment Programme	Improvements to the condition of the Council's highway assets, including roads, footways and traffic signals and reduce the significant maintenance backlog.	HoI&T	11,000	0	0	2,750	2,750	2,750	2,750
CP0422	Bridge Maintenance Investment Programme	Improvements to the condition of the Council's stock of bridges and to reduce the significant maintenance backlog.	HoI&T	4,000	0	0	1,000	1,000	1,000	1,000

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Environmental Services (Street Scene)									
CP0423	Environmental Services Vehicles and Equipment	A series of investments in vehicles and equipment is proposed to support the Place Management Service Operations including: 1) Replace existing specialist vehicle and plant fleet which will come to the end of their planned operational life. 2) Purchase new additional vehicles and equipment to support planned changes in front line service delivery in line with Council priority to improve local environment quality. 3) Fit safety equipment to the fleet of large goods vehicles. 4) Replacement wheel bin and recycling containers. 5) Provision of a Vehicle and Equipment Management Information System to improve operational efficiency, track and inventory all equipment to ensure safe maintenance, operation and reduce asset loss.	HoPM	3,931	0	0	2,558	333	288	752
CP0424	Redevelopment of Parsons & JCH Depot - Electric Vehicles Infrastructure	To future proof depots by ensuring that site energy can be provided from renewable sources including solar, wind and through the use of electric vehicle battery charging, an electric vehicle infrastructure is proposed at both the new redeveloped Parsons depot and Jack Crawford House. This investment will support the operation and maintenance of the Council's future ultra-low carbon (electric) fleet through the provision of a range of standard and high speed vehicle charging points and battery charging and storage facilities which work with the local electricity supply network and renewable energy generated on sites.	HoPM	3,004	0	0	82	1,474	1,448	0
	Infrastructure and Transportation									

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0425	Major Pipeline Scheme Design	Provision to ensure that sufficient resources are in place to develop designed solutions for Sunderland City Council's infrastructure aspirations, which can be utilised as part of external funds bidding processes.	HoI&T	1,000	0	0	250	250	250	250
CP0426	Replacement of Road Safety Vehicle	Replace the existing road safety vehicle, which is now 5 years old, used to carry out enforcement of bus stops and school keep clears.	HoI&T	20	0	0	20	0	0	0
CP0427	Holmeside Car Park	Creation of a surface 60 space car park on a site located on Holmeside, Sunderland to serve the Train, metro businesses, College and visitors to the City.	HoI&T	230	0	0	0	230	0	0
CP0428	Hillthorn Lorry Parking Facility	Infrastructure works to clear a vacant plot on the A19 – EZ3 (Hillthorn Park site) and to provide a hard-stand to be used as a lorry parking / lay-up area (including facilities) to accommodate 48 – 54 articulated HGVs.	HoI&T	750	0	0	750	0	0	0
CP0429	Riverside Animation	A programme of works establishing a focus for River based leisure activities with Sunderland University on the North Bank of the Wear adjacent to the St Peters Campus.	HoI&T	400	0	0	400	0	0	0
	Parks									
CP0430	Reconnecting Roker Park	Planned restoration of Roker Park to make it more sustainable and encourage commercial investment to help nourish this valuable community asset into the future, maximise potential, and place heritage at the heart of a lively and engaging events and activities programme. Subject to securing Heritage Lottery Fund funding.	HoPR	3,550	0	0	0	1,775	1,775	0
	Flood & Coast Risk Management									
CP0431	Panns East Quay Replacement	Reconstruction of a 60m stretch of the Panns East Quay.	HoI&T	1,000	0	0	1,000	0	0	0
TOTAL PROJECTS COMMENCING 2019/20				**32,151**	**0**	**0**	**12,076**	**7,812**	**7,511**	**4,752**
TOTAL ENVIRONMENT AND TRANSPORT PORTFOLIO				**315,940**	**137,212**	**48,217**	**54,178**	**49,288**	**21,655**	**5,390**

ENVIRONMENT & TRANSPORT PORTFOLIO
CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	25,146	22,023	22,032	17,031	5,390
Salix	4,572	2,700	200	0	0
Government Grants					
DfT - Local Transport Plan (LTP)	6,622	4,968	0	0	0
DfT - National Productivity Investment Fund	3,360	0	0	0	0
Local Pinch Point	3	0	0	0	0
DfT - Pothole Grant	541	0	0	0	0
Environment Agency Coast Protection	909	649	1,000	1,930	0
Local Growth Fund (LGF)	1,000	21,500	18,000	0	0
Highways England	0	1,439	0	0	0
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	0	0	1,550	1,550	0
European Regional Development Fund	0	41	737	724	0
Nexus LTP	42	42	0	0	0
Other External Funding					
Nexus	658	600	1,500	0	0
Total External Sources	**42,853**	**53,962**	**45,019**	**21,235**	**5,390**
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	227	20	0	0	0
Capital Priorities Reserve	3,487	0	3,780	0	0
Strategic Investment Plan Reserve	273	0	0	0	0
S106 Reserve	85	58	0	0	0
Port Reserve	151	0	0	0	0
Unutilised RCCO Reserve	268	0	0	0	0
Capital Receipts	873	138	489	420	0
Total Internal Sources	**5,364**	**216**	**4,269**	**420**	**0**
TOTAL FINANCING	**48,217**	**54,178**	**49,288**	**21,655**	**5,390**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Adult Services									
CP0080	Disabled Facilities Grants	Provision of grants to support much needed adaptations to be carried out to properties allowing people to remain in their homes.	HoIC	7,256	3,435	3,821	0	0	0	0
CP0316	Introduction of Electronic Homecare Monitoring System	The introduction of an EHM system will provide real time data, with carers using EHM logging in and out via mobiles at the time of the care call which will enable more accurate billing.	HoPROG	148	0	148	0	0	0	0
CP0351	Assistive Technology in Adult Social Care	To delay vulnerable people requiring support and enabling them to remain in their own homes for longer. Research has shown use of AT can delay residential care by an average 8 months. Investment includes: • Increased use of technology to transform service delivery and increase staff productivity • Support for innovative National Test bed for AT.	HoIC	1,050	0	300	250	250	250	0
TOTAL CONTINUING PROJECTS				**8,454**	**3,435**	**4,269**	**250**	**250**	**250**	**0**

HEALTH & SOCIAL CARE PORTFOLIO
CAPITAL PROGRAMME

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Projects Commencing 2019/20									
	Adult Services									
CP0432	Day Centre Transformation Programme	Investment to day centre provision to transform these services to provide a fit for purpose provision for people with complex needs and disabilities that is future proof, assists informal carers to continue in this role and consequently delays or reduces the impact on adult social care services; and localised and cost efficient provision that reduces the need to move or transfer people out of city into high cost placements and services via: o Remodelling and re-provision of Washington Multipurpose Centre and the Fulwell Day Centre Site into single new build which is fit for purpose and future proof for people with complex disabilities and behaviours. o New build(s) or investment in a current site(s) to establish a building based “safe space” for adults with complex mental health issues and associated behaviours that could also deliver stimulation and outcome based activities as part of a day centre offer. o Development of the Northeast Disabilities Resource Centre day centre offer linked to new core and cluster accommodation that will support adults with an acquired brain injury and complex physical disabilities.	HoIC	4,500	0	0	4,500	0	0	0
CP0433	Emergency Accommodation	Provision of self-contained apartments to include small kitchen areas, and emergency/temporary residential accommodation for young people aged 18-21 who have come through the leaving care system or are homeless.	HoIC	104	0	0	104	0	0	0
CP0434	Barnes Park Café (Coffee Shop) - Flood Defence Measures	Improvements to the Café, specifically on flood defence measures.	HoIC	25	0	0	25	0	0	0
TOTAL PROJECTS COMMENCING 2019/20				**4,629**	**0**	**0**	**4,629**	**0**	**0**	**0**
TOTAL HEALTH AND SOCIAL CARE PORTFOLIO				**13,083**	**3,435**	**4,269**	**4,879**	**250**	**250**	**0**

HEALTH & SOCIAL CARE PORTFOLIO
CAPITAL PROGRAMME

Appendix 4 continued

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	0	4,629	0	0	0
Government Grants					
Better Care Fund Grant	3,708	0	0	0	0
Other External Funding					
Gentoo	113	0	0	0	0
Total External Sources	**3,821**	**4,629**	**0**	**0**	**0**
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	148	0	0	170	0
Capital Priorities Reserve	0	0	0	80	0
Strategic Investment Plan Reserve	300	0	0	0	0
Commercial & Development Reserve	0	250	250	0	0
Total Internal Sources	**448**	**250**	**250**	**250**	**0**
TOTAL FINANCING	**4,269**	**4,879**	**250**	**250**	**0**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	Continuing Projects									
	Management of Council Land and Buildings									
CP0366	Former Usworth Comprehensive School Site Enabling Works	Enabling works on the former Usworth school site in advance of potential development of the site.	HoPROP	510	0	510	0	0	0	0
	Strategic Economic Development									
CP0127	Strategic Land and Property Acquisition Provision	Acquisitions of land and buildings which are considered to be a strategic importance and would contribute towards the Council's regeneration priorities for the City.	HoPROP	11,907	6,646	2,719	2,542	0	0	0
CP0221	Railway Station Public Realm	As part of the wider Railway Station redevelopment public realm improvements will be undertaken to the area immediately in front of the station to provide an improved arrival and departure experience as well as ensuring the station is better integrated into the wider area.	HoPR	750	0	0	0	0	750	0
CP0238	Keel Line	Fees for feasibility study carried out by external consultant at the former Vaux site.	HoPR	100	79	21	0	0	0	0
CP0264	Public Realm - Former Crowtree Road Leisure Centre	As part of the redevelopment of the former Crowtree Road Leisure Centre site for retail use, works will be undertaken to create a public space to the north of the site and landscaping works above the car park that will provide an improved link to Town Park.	HoPROP	1,750	48	0	1,702	0	0	0
CP0336	Commercial Road Development	Enabling works (access highway works and drainage) to facilitate four development plots and property for Port.	HoPROP	300	77	223	0	0	0	0
CP0363	City Centre Regeneration	Provision to support a City Centre Masterplanning investment strategy, allowing timely acquisitions of critical sites, in target regeneration areas. Resources are proposed to support strategic land and building acquisitions which focus on city centre regeneration. Any acquisitions will be supported by an approved Masterplan for the overall development area.	HoPROP	10,730	0	1,730	4,000	5,000	0	0
	Housing Services									
CP0072	Hetton Downs Regeneration	Acquisition and demolition of properties for housing renewal in the Hetton Downs area.	HoPR	9,111	8,822	289	0	0	0	0
CP0302	Hetton Downs Development Phase 2	To provide affordable housing units in the Hetton Downs Renewal area.	HoPR	289	4	285	0	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0343	Empty Properties Hetton Downs	Funding to Sunderland Housing Limited to acquire or lease empty homes in the Hetton Downs regeneration area with a focus on Fairy, Edward and Caroline Streets.	HoPR	300	0	300	0	0	0	0
CP0344	Bringing Empty Properties Back Into Use - Loan Funding	Loan to Back on the Map to acquire and refurbish empty homes.	HoPR	390	115	175	100	0	0	0
CP0345	Empty Properties - Bring Back Into Use	Financial assistance in the form of loans and/or grants to refurbish empty homes.	HoPR	224	0	224	0	0	0	0
	Seafront									
CP0111	Roker Pier and Lighthouse	Lighthouse restoration works and provision of new tunnel entrance. All works now complete and to be opened up as a visitor attraction, to be managed by volunteers from the Roker Heritage Group.	HoPR	2,212	2,061	151	0	0	0	0
CP0222	Seafront - Marine Walk Masterplan Ph3	Installation of carriageway improvements at Marine Walk lower promenade, construction of new toilet block and associated alterations to Marine Walk car park.	HoPR	660	648	12	0	0	0	0
CP0223	Seafront Lighthouses	Works to the lighthouse at Seaburn, completed in 2016. New railings and the restoration of railings on Roker Pier, completed in 2017.	HoPR	1,175	907	268	0	0	0	0
CP0274	Seafront Toilet Refurbishment	As part of the rolling programme of seafront toilet refurbishment, further works will be undertaken to refurbish the tram shelter toilets and Marine Walk north toilet block.	HoPR	300	43	257	0	0	0	0
CP0358	Sunderland Seafront Trust - CCF Round 5	A proposal to bring into use vacant assets as commercial premises as part of further development of assets in conjunction with the Seafront Trust. A bid for Coastal Communities Round5 funding is to be made towards the total estimated cost.	HoPR	1,100	0	50	50	1,000	0	0
CP0359	Seaburn Public Realm - Whitburn Road	Works to bridge the gap in previous public realm works and planned Siglion works at the Sea Front in front of Amusements at bottom of Dykelands road. The scheme will include new paving, seating, and steps.	HoPR	325	0	25	300	0	0	0
	Regeneration Projects									
CP0273	City Centre Way Finding	New way finding infrastructure will be installed to improve pedestrian navigation around the city centre which will be adopted by the Council and its partners. This will improve the appearance and visitor experience.	HoPR	200	19	131	50	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0275	Investment Corridors - MAC Trust Contribution	Council contribution to works which commenced in 2016 on the development of the former Dun Cow fire station to create a performing arts centre. Grant funding is also being provided to the MAC Trust from the Heritage Lottery Fund, and further funds are being sought from the Arts Council.	HoPR	690	320	0	370	0	0	0
CP0326	Chester Road - Highways	Loan agreement with Gentoo to deliver 500 new homes on the former Pennywell estate. The Council will fund initial infrastructure works necessary to create a new access to the site and receive a profit share plus the return of its investment from the first phase of the scheme.	COO	2,000	138	1,052	810	0	0	0
CP0332	Bishopwearmouth Townscape Heritage Phase 1	Phase 1 funding to develop detail of Bishopwearmouth TH scheme for Phase 2 application to HLF. Subject to successful Phase 2 application, full TH scheme will commence late summer 2018 and run 5 years providing grants to owners / tenants to repair and restore historic properties, and funding an enhancement scheme for Town Park and activities and events.	HoPR	77	64	13	0	0	0	0
CP0397	Bishopwearmouth Townscape Heritage Phase 2	Phase 2 of the Bishopwearmouth Townscape Heritage Initiative commenced late summer 2018 and will run for 5 years providing grants to owners / tenants to repair and restore historic properties, and funding an enhancement scheme for Town Park and activities and events.	HoPR	2,107	0	80	1,064	594	369	0
	Adult Services									
CP0392	Affordable Housing Contributions (S106)	Use of S106 affordable housing contributions for the provision and promotion of affordable housing across the City; specifically through returning empty properties back to use.	HoPR	672	0	90	582	0	0	0
TOTAL CONTINUING PROJECTS				**47,879**	**19,991**	**8,605**	**11,570**	**6,594**	**1,119**	**0**
	Projects Commencing 2019/20									
	Housing Services									
CP0407	Empty Properties Programme	To extend the Hetton Downs empty homes pilot Citywide, targeting problematic empty properties to be refurbished, rented and therefore brought back into use. The investment will create assets that could be realised through disposal in the longer term whilst generating rental annual income until such disposal.	COO	3,000	0	0	1,816	1,184	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0408	Homeless Accommodation	To develop bespoke temporary and supported accommodation for small number of homeless people with the most complex needs. The accommodation will be staffed 24 hours with the aim of moving people into their own tenancies wherever this is possible. The project will support the Government's Rough Sleeper Strategy and accompanying Move On Fund which has the aim of freeing up hostel accommodation by creating move on accommodation for homeless people, either new build or through refurbishment. The proposal is subject to securing estimate of £1m via the Homes England Move On Fund.	HoIC	2,300	0	0	710	1,590	0	0
	Strategic Economic Development									
CP0409	Strategic Developments	Strategic developments to support economic development and regeneration of the city.	EDoE&P	28,000	0	0	28,000	0	0	0
CP0410	Strategic Acquisitions	Provision for real estate investments to support strategic economic regeneration overseen by the establishment of an Investment Board. Proposals will be brought forward in accordance with the Council policy for the acquisition of land and buildings.	HoPROP	1,800	0	0	1,800	0	0	0
CP0411	Additional Growth Corridor	A scheme to support emerging major economic development and cultural facilities in IAMP and the City Centre delivered with strategic partners.	EDoE&P	5,000	0	0	1,000	2,000	2,000	0
	Regeneration Projects									
CP0413	Heritage Action Zone Partnership Grant Scheme	The Partnership Grant Scheme will deliver key elements of the HAZ Delivery Plan by securing the repair, restoration and enhancement of key landmark listed building City Blocks of Hutchinson's Buildings / Mackie's Corner and 170-175 High Street West together with wider conservation area enhancement through traditional shop front reinstatements. The proposal is subject to securing Historic England funding. It will also be supplemented by third party contributions to the grants provided by the Council.	HoPR	890	0	0	545	260	85	0
CP0414	Regeneration Feasibilities	Provision of a Regeneration Feasibilities fund to support early planning and options appraisal for future potential capital projects.	HoPR	580	0	0	580	0	0	0
CP0415	Hendon Health Centre Demolition	Demolition of building no longer required and to mitigate holding costs.	HoPROP	125	0	0	125	0	0	0

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CP0416	Roker Promenade and Pier CCTV infrastructure	Over recent years the Council, external partners and private sector investment has seen the face of Roker completely change, with well over £5m of infrastructure, commercial developments and tourist attractions delivered. Following the successes of these previous schemes, this project will invest in security infrastructure in the area, protecting those investments made.	HoPR	55	0	0	55	0	0	0
TOTAL PROJECTS COMMENCING 2019/20				**41,750**	**0**	**0**	**34,631**	**5,034**	**2,085**	**0**
TOTAL HOUSING & REGENERATION PORTFOLIO				**89,629**	**19,991**	**8,605**	**46,201**	**11,628**	**3,204**	**0**

HOUSING & REGENERATION
CAPITAL PROGRAMME

Appendix 4 continued

Source of Finance	Estimated Resources				
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Loans					
Prudential Borrowing	5,026	42,910	9,675	2,355	0
Government Grants					
DoH - Grants General	56	0	0	0	0
English Partnership /SHIP	195	0	0	0	0
BIG Coastal Communities Fund	0	0	600	0	0
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	225	822	459	203	0
Homes and Communities Association (HCA)	94	0	0	0	0
Other External Funding	0	239	114	37	0
Homes England	0	309	691	0	0
Nexus	0	0	0	500	0
Other Capital Contributions	10	137	77	94	0
Total External Sources	**5,606**	**44,417**	**11,616**	**3,189**	**0**
FROM INTERNAL SOURCES					
Revenue Contributions					
Directorate	2	22	12	15	0
Reserves					
Strategic Investment Reserve	1,131	685	0	0	0
S106 Reserve	458	0	0	0	0
Port Reserve	0	582	0	0	0
New Homes Bonus Reserve	444	0	0	0	0
Unutilised RCCO Reserve	22	0	0	0	0
Other Capital Reserves	117	125	0	0	0
Capital Receipts	825	370	0	0	0
Government Grants	**2,999**	**1,784**	**12**	**15**	**0**
TOTAL FINANCING	**8,605**	**46,201**	**11,628**	**3,204**	**0**

PROJECT SPONSOR KEY
CAPITAL PROGRAMME

Appendix 4 continued

Acronym	**Job Title**
HoE	Head of Events
HoPROG	Head of Programmes
HoPR	Head of Planning and Regeneration
HoPROP	Head of Property
HoI&T	Head of Infrastructure and Transportation
COO	Chief Operating Officer
HoIC	Head of Integrated Commissioning
EDoE&P	Executive Director Economy and Place
EDoPS	Executive Director of People Services
HoCS,I&ICT	Head of Customer Service, Intelligence & ICT
HoPM	Head of Place Management
DoCS	Director of Children's Services
HoPPC	Head of Policy, Partnerships and Communications
PD	Port Director
HoAI&BS	Head of Automotive, Investment & Business Support

Prudential and Treasury Indicators 2019/2020 to 2022/2023

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 2017/2018 was £94.053 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated Capital Expenditure	122,860	168,946	91,423	75,110	41,444
Efficiency Transformation Projects	3,500	3,750	0	0	0
Total Capital Expenditure	**126,360**	**172,696**	**91,423**	**75,110**	**41,444**

The capital expenditure plans set out in Appendix 3 provide details of the service activity of the Council.

The Government has introduced flexibility around the use of capital receipts to support transformation costs arising from implementing the Council's savings programme for 2016/2017 to 2021/2022. The transformation schemes where it is proposed to use finance from capital receipts and to treat costs as capital spend under sections 16(2)b and 20 of the Local Government Act 2003 are detailed in the Revenue Budget and Proposed Council Tax report elsewhere on the agenda.

Commercial activities and non-financial investments relate to areas such as capital expenditure on investment opportunities and loans to third parties.

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 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 The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the Council remains within sustainable limits. In considering the affordability of its capital plans The Council considers all of the resources currently available to it and estimated to be received in the future, together with the totality of its capital plans, income and expenditure forecasts.

The Council ensures that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium term financial strategy. In assessing affordability the Council considers the council tax implications of its capital programme, borrowing decisions and investment decisions. The Council sets and monitors prudential indicators as key indicators of affordability.

Estimates of the proportion of financing costs to net revenue stream for the current and future years, and the actual figures for 2017/2018 are:

Estimates of financing costs to net revenue stream					
2017/2018 Actual	**2018/2019 Estimate**	**2019/2020 Estimate**	**2020/2021 Estimate**	**2021/2022 Estimate**	**2022/2023 Estimate**
8.14%	8.62%	9.41%	11.64%	12.83%	13.37%

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 increases to the ratio as a result of additional planned prudential borrowing for strategic priorities approved in the capital programme. The indicators do not show additional revenue income that has been received, or that is forecast to be generated from the Council's capital programme.

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 2018 are:

Capital Financing Requirement					
31/03/18 £'000 Actual	**31/03/19 £'000 Estimate**	**31/03/20 £'000 Estimate**	**31/03/21 £'000 Estimate**	**31/03/22 £'000 Estimate**	**31/03/23 £'000 Estimate**
393,919	447,724	536,531	581,252	618,544	625,615

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 assets lives. 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 schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £79.866 million of such schemes included in its Capital Financing Requirement at 31st March 2018.

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 Council had no difficulty meeting this requirement in 2017/2018, 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 2019/2020.

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 four 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 Executive Director of Corporate Services, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for the authority. Any such changes made will be reported to Cabinet and the Council at the next available meeting.

Authorised Limit for External Debt

	2018/2019 £'000	**2019/2020 £'000**	**2020/2021 £'000**	**2021/2022 £'000**	**2022/2023 £'000**
Borrowing	505.092	598,239	612,769	627,891	643,441
Other long term liabilities	79.031	75,388	71,837	67,427	62,595
Total	**584.123**	**673,627**	**684.606**	**695,318**	**706,036**

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. 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, commercial investments/non-financial investments 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 International Advanced Manufacturing Park (IAMP LLP), Siglion, Sunderland Care and Support Ltd, Sunderland Lifestyle Partnership Ltd and Together for Children Sunderland 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 2019/2020, the Council is asked to note that the authorised limit determined for 2019/2020 (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 Executive Director of Corporate Services, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, similar to the authorised limit set out 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

	2018/2019 £'000	**2019/2020 £'000**	**2020/2021 £'000**	**2021/2022 £'000**	**2022/2023 £'000**
Borrowing	480,092	573,239	587,769	602,891	618,441
Other long term liabilities	79,031	75,388	71,837	67,427	62,595
Total	**559,123**	**648,627**	**659,606**	**670,318**	**681,036**

P7 The Council's actual external debt at 31st March 2018 was £399.704 million and was made up of actual borrowing of £319.838 million and actual other long term liabilities of £79.866 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 Council is no longer required to formally indicate if it has adopted the CIPFA Code of Practice on Treasury Management. However the revised Code was adopted on 3rd March 2010 by full Council and 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 and investment decisions are taken in accordance with professional good practice and in full understanding of the risks involved;
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 2019/2020 to 2022/2023

P9 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £485 million in 2019/2020, £475 million in 2020/2021, £470 million in 2021/2022 and £480 million in 2022/2023.

P10 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £48 million in 2019/2020, £55 million in 2020/2021, £54 million in 2021/2022, and £42 million in 2022/2023.

P11 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%

P12 A maximum maturity limit of £75 million is set for each financial year (2019/2020, 2020/2021, 2021/2022 and 2022/2023) for long-term investments (those over 365 days), made by the Council. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. The types of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 8).

At present the Council has £21.914m 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), a £0.500m equity share in Sunderland Lifestyle Partnership Ltd (a 50% share) and the Council also holds £0.014m in shares and unit trusts.

Minimum Revenue Provision Policy Statement 2019/2020

1.1 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). Until 2007/2008 the basis of calculation for the MRP was specified in legislation. However, from 31st March 2008 onwards the statutory requirement is simply for local authorities to make a prudent level of provision and the Ministry of Housing for Communities and Local Government (MHCLG) has instead provided statutory guidance on the methodology to use, which local authorities are required to '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. Any subsequent revisions to that policy should also be approved by full Council. DCLG have consulted on revised MRP guidance for accounting periods starting on or after 1st April 2018 and this revised guidance has been considered when setting the MRP for 2018/2019.

Local authorities have significant discretion in determining the level of MRP which they consider to be prudent. A review of the Council's MRP policy in 2015/2016 identified changes to the way in which MRP was calculated that reduces the pressure on its revenue budget but still ensures that a prudent level of provision is set aside. A further review was undertaken in 2016/2017 to determine how much additional MRP has been charged to the revenue account had the annuity basis used to calculate MRP, that was introduced from 2015/2016, been adopted from 1st April 2008.

It was established that around £43.512m less MRP would have been charged between 1st April 2008 and 31st March 2016 had the annuity basis been adopted during this period. Council approved that the overprovision of MRP in previous years be used to reduce MRP for 20 years from 2016/2017 by a fixed amount of £2.176m each year until 2036/2037. Phasing over 20 years is the time period that the Government specify for expenditure to be treated as capital expenditure by virtue of direction under section 16(2)(b) of the 2003 Act and is considered to be prudent as taking previous overpayments over this longer period slows the increase to the Council's capital financing requirement, and therefore interest charges, whilst still giving additional certainty to the Council's debt charges budget. The proposal assists the Council in addressing the impact of funding reductions as described in the Council's MTFS.

This document sets out the MRP policy for 2019/2020.

1.2 The statutory guidance issued by the MHCLG considers the broad aim of a prudent MRP policy as being "to require local authorities to put aside revenue over time to cover their capital financing requirement. In doing so local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits", or in the case of borrowing supported by Government Revenue Support Grant (RSG) "to put funds aside over a period commensurate with the period implicit in the determination of that grant." The MHCLG guidance considers that the asset life over which debt should be repaid should normally not exceed 50 years except where an appropriately qualified professional advisor assess the useful life will exceed 50 years or in the case of a lease or PFI asset where the length of the lease or contract exceeds 50 years. The duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.

1.3 The four options for calculating MRP which are 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%. This method calculates a similar amount of MRP to Option 1.

- 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.

Although four options are included in the guidance produced by MHCLG other approaches are not meant to be ruled out, provided that they are fully consistent with the statutory duty to make prudent revenue provision. It is the responsibility of each authority to decide on the most appropriate method of making a prudent provision, after having regard to the guidance.

1.4 The Council used Option 1 (the Regulatory Method) for government supported borrowing until 2015/2016 where MRP was calculated on all loan advances and repayments through the Council's consolidated advances and borrowing pool at 4% of the opening 'credit ceiling' balance.

The method of calculating MRP on government supported borrowing was changed in 2015/2016 so that all debt is repaid in full over a 50 year period. Guidelines state that the period debt is repaid over for government supported borrowing should be "over a period commensurate with the period implicit in the determination of that grant". Since business rates reform in 2013/2014, the changes made to the funding formula for RSG mean that there is no component of grant determining an implicit level of support for debt repayment. As a result it is no longer possible to relate grant received to any particular level or period of annual debt repayment that supports borrowing. Additionally, grants distributed to local authorities is controlled to a national limit which has been reduced substantially in recent years irrespective of the outstanding supported borrowing levels a council may have.

Given this lack of visibility on the level of grant support provided for debt and the known reductions to RSG in recent years it is estimated that only around 50% of the required 4% is now provided for i.e. 2%. This extended the repayment to 50 years which is considered reasonable given the Councils' asset portfolio to which the debt relates.

1.5 For borrowing where no support has been provided from the government, known as unsupported borrowing, the Council has previously used the Asset Life Method (option 3) for calculating MRP, with the MRP charge commencing in the financial year following the one in which the capital scheme the borrowing relates to is complete and the asset has come into service. It is felt that the depreciation method for calculating MRP (option 4) is subject to too much volatility when asset lives are reassessed as part of the revaluation process.

Estimated asset 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.

It is proposed that the Council continues to use the Asset Life Method (option 3) for calculating MRP on unsupported borrowing with the exception of any grants, deposits or loans made for capital purposes for which borrowing is taken out. In these cases it is proposed that MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided.

1.6 It is proposed that MRP for both supported and unsupported borrowing continues to be calculated using an annuity method. The interest rate used to profile the MRP under the annuity method will be 3.50% which is the discount rate used by the government in its Green Book when assessing long term projects and is similar to the Council's current interest paid on borrowing (3.01%). Government guidelines support use of the annuity method to calculate MRP for option 3 and the interest rate used to profile MRP will be reviewed annually to ensure that it is still appropriate.

Use of the annuity method means the MRP that is applied to Council borrowing will increase each year until the borrowing is repaid at the end of the asset life (or after 50 years in the case of supported borrowing). This method means that provision for debt repayments better reflects the time value of money i.e. where paying £100 in 20 years' time is less of a burden than paying £100 now and it means that costs will be spread more evenly amongst the council tax payers that will get benefit from the capital expenditure. It is therefore considered the fairest methods to use.

Use of the annuity method does not increase overall levels of debt but does mean that the level of capital expenditure financed by borrowing, the Capital Financing Requirement (CFR) will initially reduce more slowly than using the equal instalment method as the amount of MRP applied in early years is lower. The consequence of debt being repaid more slowly will be that the Council incurs a higher interest cost (although the net present value of the additional costs incurred compared to other methods of providing from MRP is neutral).

A major benefit of the recommended policy is that the Council's Capital Financing requirement for supported borrowing will be eliminated more quickly than under MHCLG options 1 or 2. The proposed method will fully write down the CFR for supported borrowing to zero over the 50 years period whereas options 1 and 2 would leave a balance remaining in perpetuity. These proposals for MRP therefore ensure that prudence is maintained and strengthened as debts are provided for more quickly and more transparently.

1.7 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.

1.8 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 Minimum Revenue Provision Statement for 2019/2020:

a) For all government supported borrowing the Council will continue its policy of repaying borrowing over 50 years using the annuity method with the interest rate used to profile MRP being set at 3.5%.

b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the annuity method with the interest rate used to profile MRP being set at 3.5%. The estimated useful life of an asset will be assessed by the Executive Director of Corporate Services in consultation with appropriate officers. The MRP charge will commence in the financial year following the one in which the capital scheme the borrowing relates to is complete and the asset has come into service.

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 where it has taken out unsupported borrowing to provide grants, deposits or loans for capital purposes. In these cases it is proposed that MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided. The likely repayment of these loans will be assessed as part of the budget monitoring process and if it is estimated that there is likely to be a default on repayments then alternative arrangements will be made to repay any shortfall through an increase in MRP.

e) That the Council continue its policy of reducing MRP for 20 years from 2016/2017 by a fixed amount of £2.176m each year until 2036/2037. This reduction is in respect of overprovision of MRP made for the period 1st April 2008 to 31st March 2016 had the Council followed its current policy for calculating MRP.

f) Changes to the Council's MRP policy will be made where the Executive Director of Corporate Services determines that such a revision will reduce future years' debt repayment requirements and provide value to the Council. This action, if used, would be reported to Cabinet accordingly.

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 3.50% for long term borrowing (i.e. all borrowing for a period of one year or more);
  - take advantage of debt rescheduling opportunities, as appropriate.

  The general policy objective for the Council in considering potential investments is the prudent investment of its treasury balances.
  - the Council's investment priorities in order of importance are:
    1) The security of 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 re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2019/2020 as it does every year.

Treasury Management Strategy Statement for 2019/2020

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 2019/2020 is set out below and is based upon the Executive Director of Corporate Services' views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Link Asset Services.

In December 2017 CIPFA issued a revised Treasury Management Code of Practice and Cross-Sectoral Guidance Notes, and a revised Prudential Code. In February 2018 MHCLG revised their Guidance on Local Government Investments and also their Statutory Guidance on Minimum Revenue Provision. A particular focus of these revised codes is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a higher level than can be attained by treasury investments. This report deals solely with financial investments managed by the Council's Treasury Management function. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy detailed in in Appendix 1 to this document. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

1.2 The treasury management strategy covers:

- current treasury management position
- treasury indicators and limits
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment policy and strategy
- creditworthiness policy
- policy on use of external service providers

2. Treasury Management Strategy

2.1 Borrowing

2.1.1 Current Treasury Management Position

The Council's treasury portfolio position at 31st December 2018 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Treasury external borrowing				
Fixed Rate Funding	PWLB	258.7		
	Market	39.6		
	Other	8.7	307.0	3.36
Variable Rate Funding	Temporary / Other		27.6	0.54
Total external borrowing			**334.6**	**3.13**
Total treasury investments				
	In house – short term*		**168.1**	**0.92**
Net treasury borrowing			**166.5**	

* The total investments figure includes monies invested on behalf of ANEC which agreed with its member authorities that the Council would invest its surplus funds.

The Council currently has a net deficit of £166.5m which represents the difference between gross debt and total investments and is significantly lower that the Council's capital financing requirement (capital borrowing need).

2.1.2 Treasury Indicators and Limits

Prudential and Treasury Indicators (as set out in Appendix 5) 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. 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 5 (P5) of this report. The Council is asked to approve these limits and to delegate authority to the Executive Director of Corporate Services, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long term liabilities where this would be appropriate. Any such changes made will be reported to Cabinet and the Council at their next meetings following the change.

Also, the Council is requested to approve the Operational Boundary Limit (P6) which is included in the Prudential Indicators set out in Appendix 5. This operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Council is also asked to delegate authority to the Executive Director of Corporate Services, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

The requirement for the Council to indicate it has adopted the CIPFA Code of Practice on Treasury Management has been removed in the revised 2017 edition of the code. However this is still considered to be good practice. The original 2001 Code was adopted on 20th November 2002 and the revised Code in 2011 was adopted by the full Council on 3rd March 2012. The Council re-affirms its full adherence to the latest 2017 edition of the Code and will continue to do so annually (as set out in Appendix 7).

2.1.3 **Prospects for Interest Rates**

In his 2018 Autumn Budget on 29th October, the Chancellor announced the end of austerity based on the improved financial forecasts from the Office for Budget Responsibility (OBR). GDP growth forecasts are 1.4% for 2018, 1.6% in 2019 and 1.4% in 2020. Public Sector Net Borrowing forecasts have also been updated with the 2019/2020 deficit of £31.8bn (down from £34.7bn forecast in the 2017 Autumn Budget) below 1.4% of GDP. The annual Net Borrowing is projected to continue falling each year to around £19.8bn in 2023/2024.

At its meeting on 19th December 2018, the BoE Monetary Policy Committee (MPC) voted unanimously to maintain Bank Rate at 0.75% although they noted that risks to growth had increased since their previous meeting. Global financial conditions have tightened noticeably, particularly in corporate credit markets. However, oil prices have fallen significantly which should provide some support to demand in advanced economies but also means that UK CPI inflation is likely to fall below 2% in coming months. The MPC judged that the loosening of fiscal policy in the Autumn Budget will boost UK GDP by the end of the MPC's forecast period by around 0.3%.

Brexit uncertainties have intensified considerably since the Committee's meeting in November. These uncertainties are weighing on UK financial markets and, coupled with the slowing global economy, have also weighed on the near-term outlook for UK growth. Business investment has fallen for each of the past three quarters and is likely to remain weak in the near term and the housing market has remained subdued. The MPC has previously noted that shifting expectations about Brexit among financial markets, businesses and households could lead to greater-than-usual short-term volatility in UK data.

The labour market is showing high levels of employment and high vacancy rates, with unemployment at its lowest levels since the mid-1970s. The economic outlook will depend significantly on the nature of EU withdrawal and in particular the new trading arrangements and the transition to them. The MPC judges monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. The MPC felt that were the economy to continue to develop broadly in line with its Inflation Report projections, an ongoing tightening of monetary policy over the forecast period would be appropriate to return CPI inflation sustainably to the 2% target by 2020. Any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent. The BoE Governor has warned that a No-Deal Brexit could see the pound plunge and trigger a worse recession than the financial crisis. This worst-case scenario predicts the pound could fall by 25% and the UK economy shrinks by 8% in the immediate aftermath if there was no transition period.

On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019 then Link Asset Services, the Authority's treasury advisors, think the next increase in Bank Rate will be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

PWLB rates have remained at historically low levels and Link Asset Services predict a gradual rise in PWLB rates reaching 2.10%, 2.50%, 2.90% and 2.70% for 5, 10, 25 and 50 year durations respectively by 31st March 2019 with further increases in future years. With so many external influences weighing on the UK economic and interest rate forecasting remains difficult. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political events, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period. The above forecasts, and MPC decisions, are therefore liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. High levels of volatility in PWLB rates and bond yields are expected to continue during 2019 particularly due to the continued uncertainty over the outcome of the Brexit negotiations.

The government introduced a 0.20% discount on PWLB loans under the prudential borrowing regime in March 2012 for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans'. 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 2019.

The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the figures for Quarter 4 to 8th January 2019.

2018/2019	**Qtr 1* (Apr - Jun) %**	**Qtr 2* (Jul - Sep) %**	**Qtr 3* (Oct – Dec) %**	**Qtr 4* (rates to 8th Jan 2019) %**
7 days notice	0.36	0.51	0.58	0.58
1 year	1.44*	1.48*	1.54*	1.52*
5 year	1.86*	1.83*	1.82*	1.67*
10 year	2.29*	2.22*	2.23*	2.04*
25 year	2.66*	2.62*	2.76*	2.62*
50 year	2.40*	2.42*	2.62*	2.49*

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

The Link 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 2019	0.75	2.10	2.90	2.70
June 2019	1.00	2.20	3.00	2.80
Sept 2019	1.00	2.20	3.10	2.90
Dec 2019	1.00	2.30	3.10	2.90
March 2020	1.25	2.30	3.20	3.00
June 2020	1.25	2.40	3.30	3.10
Sept 2020	1.25	2.50	3.30	3.10
Dec 2020	1.50	2.50	3.40	3.20
March 2021	1.50	2.60	3.40	3.20
June 2021	1.75	2.60	3.50	3.30
Sept 2021	1.75	2.70	3.50	3.30
Dec 2021	1.75	2.80	3.60	3.40
March 2022	2.00	2.80	3.60	3.40

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 an acceleration in the rate of increase in central rates in the US and UK, 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 o, 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

2.1.4 Borrowing Strategy

The Council's strategy for 2018/2019 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 3.50% for long-term borrowing was set in light of the views prevalent at the time the Treasury Management policy was set in March 2018.

There have been high levels of volatility in the financial markets during 2018/2019. While they were on a rising trend during the first half of the financial year, they have reduced since then until late December. In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and which will benefit the revenue budget over the longer term. The Council has taken out £20 million of new borrowing during the financial year as these rates were considered opportune. The new borrowing is summarised in the following table:

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
49½ years	12/12/2018	14/12/2018	14/06/2068	2.44	20.0

PWLB rates continue to be volatile, the overall longer term expectation is for gilt yields and PWLB rates to rise and the Treasury Management team continues to closely monitor rates to assess the value of possible further new borrowing in line with future Capital Programme requirements.

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 have been received and none are expected for the outstanding rollover period LOBO's with Dexia Credit Local and so these arrangements will continue.

Roll Over Dates	Lender	Amount £m	Rate %	Roll Over Periods
29/09/18	Dexia	5.0	4.45	Every 3 years
21/04/2018 And 21/10/2018	Barclays	5.0	4.50	Every 6 months
03/02/2019	Dexia	5.0	4.37	Every 3 years
22/02/2019	Dexia	5.0	4.38	Every 3 years
Total		**20.0**		

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.

The Council's potential borrowing requirement is as follows:

		2019/20 £m	2020/21 £m	2021/22 £m
1.	Capital Programme Borrowing	**98.1**	**57.1**	**51.4**
2.	Replacement borrowing (PWLB)	**5.0**	**4.0**	**5.0**
3.	Replacement LOBO	**10.0**	**19.5**	**20.0**
	TOTAL:	**113.1**	**80.6**	**76.4**

The Council currently has net treasury borrowing of £166.5m which represents the difference between gross debt and total investments. This means that the capital borrowing need (the capital financing requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and it also reduces counterparty risk. Consideration will be given to continuing utilising some investment balances to fund the borrowing requirement in 2019/2020. 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.

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 more 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.

- 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 the future. The rates offered by the new Agency will be assessed and use made of this, and any other new sources of funding that may become available, where it is considered advantageous.

- The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required when considering borrowing opportunities, and flexibility needs to be retained to adapt to any changes that may occur.

The Council, 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.

Taking into account potential market volatility and the advice of the Council's treasury adviser, considers a benchmark financing rate of 3.50% for any further long-term borrowing for 2019/2020 to be appropriate.

2.1.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely to profit from treasury investments of the extra sums borrowed. Any decision to borrow in advance will be assessed within the relevant Capital Financing Requirement estimates, with regard to current policies, 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 appraisal and any borrowing undertaken will be reported to Cabinet as part of the agreed reporting arrangements.

2.1.6 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 2019/2020 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.

2.2 Annual Investment Policy and Strategy

2.2.1 Investment Policy and Management of Risk

When considering its investment policy and objectives, the Council has taken regard to the MHCLG Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"), and CIPFA Treasury Management Guidance Notes 2018

The MHCLG and CIPFA have extended the meaning of investments to include both financial and non-financial investments. This report deals solely with financial investments (as managed.by the Councils Treasury Management function). Non-financial investments, essentially the purchase of income yielding assets are covered within the Capital Strategy (Appendix 1).

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.

The guidance from the MHCLG and CIPFA places a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and in order to minimise the risk to investments;

- applies minimum acceptable credit criteria (detailed in Annex B) 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.
- monitors credit ratings on a daily basis. The Council has access to all three credit ratings agencies and is alerted to changes through its use of Link 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
- does not use ratings will as the sole determinant of the quality of an institution. 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.
- will use other information source including 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.

- defines the type of investment instrument that the treasury management team are authorised to use. 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 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 for treasury management investments this means in effect that any investments placed with those counterparties for a period over one year will be classed as Non-specified Investments. A limit on the amount of investments which are can be invested for longer than 365 days is set in the Councils creditworthiness policy.
- the type of investments to be used by the in-house treasury management 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, bond funds, gilt funds, and gilt edged securities and will follow the criteria as set out in Annex B
- will assess the risk of default and 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
- sets an approved lending list which shows lending limits and the maximum duration of any investment for each counterparty (detailed in annex C). These are set using the agreed lending list criteria (detailed in annex B).
- will only place investments with counterparties from countries with a specified minimum sovereign rating as set out in the agreed lending list criteria (detailed in annex B). 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
- has engaged external consultants, Link Asset Services, to provide expect advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

As a result of a change in accounting standards for 2018/19 under IFRS9**,** the authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018 MHCLG concluded a consultation for a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override for five years commencing from 1st April 2018.

The prudential code states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council will not engage in such activity without full consideration of all financial and non-financial risks and subject to the appropriate approval process. The Investment Strategy would subsequently be updated to reflect any such change in approach.

2.2.2 **Creditworthiness policy**

The creditworthiness policy adopted by this Council takes into account the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's). Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the Council's counterparty criteria.

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. Regulatory changes that have been made in the banking sector are designed to see greater stability, lower risk and reduce expectations of Government financial support should an institution fail. To reflect these changes the three credit rating agencies have carried out a wider reassessment of methodologies. In addition to the removal of implied government support, new methodologies are now taking into account additional factors, such as regulatory capital levels.

While this council understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA. This is due to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

In keeping with the agencies' new methodologies, the rating element of our credit assessment process now focuses solely on the Short and Long Term ratings of an institution.

The largest UK banks, (those with more than £25bn of retail/Small and Medium-sized Enterprise (SME) deposits), have also been required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing" and is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank. This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

It is important to stress the ongoing regulatory changes made in the UK and the rest of Europe are designed to make the financial system sounder. Banks are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now.

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 B.

Set out in Annex C 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.

The Executive Director of Corporate Services will monitor long-term investment rates and identify any investment opportunities if market conditions change. It is proposed that delegated authority continues for the Executive Director of Corporate Services, in consultation with the Cabinet Secretary, 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.

2.2.3 Outlook and Proposed Treasury Investment Strategy

Based on its cash flow forecasts, the Council anticipates its fund balances in 2019/2020 are likely to range between £50 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 2018/2019 short-term interest rates have been materially below long-term rates and some investment balances have been used to fund some long-term borrowing requirements. It is likely that this will continue into 2019/2020 with investment balances being 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.

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 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 365 days up to a maximum period of 2 years (excluding non-treasury management investments and all other investments defined as capital expenditure). This amount has been calculated by reference to the Council's cash flows, including the potential use of earmarked reserves

The Council is not committed to any investments which are due to commence in 2019/2020 (i.e. it has not agreed any forward deals).

New European Financial Directives known as MiFID II came into force on 3rd January 2018. These directives are designed to strengthen transparency and investor protection in financial markets across the EU. Under the directives each client is classed as either retail or professional. All Local Authorities are initially classified as de facto retail counterparties under MiFID II but with the option to ask to opt up to professional status subject to meeting qualitative and quantitative criteria. Financial Institutions dealing with a number of regulated products including direct investments such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds (including Money Market Funds) will only be able to deal with professional clients. The Council has opted up to professional client status with a number of financial institutions to allow access to specific products and will seek to opt up to with others where this is appropriate.

The Council, in conjunction with the Council's treasury adviser Link 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.

During 2018/2019 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	**2017/18 Benchmark %**	**2017/18 Return %**	**To date 2018/19 Benchmark %**	**To date 2018/19 %**
Council	0.21	0.62	0.49	0.92

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years

During 2019/2020 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. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market. The Council's treasury management advisor reports the rate of return achieved compares favourably with their other local authority clients.

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

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.

The Council uses Link Asset Services as its external treasury management advisors. 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.

2.2.5 Non- Treasury Investments

The Council may make other type of investments (usually defined by regulation as capital expenditure) that are not part of treasury management activity. Treasury management investments activity covers those investments which arise from the Council's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

Investments that may be made for policy reasons outside of normal treasury management activities may include;

- service investments held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration. This may include loans to local enterprises as part of a wider strategy for local economic growth
- commercial investments which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures; or investments explicitly taken with the aim of making a financial surplus for the Council. Commercial investments also include non-financial assets which are held primarily for financial benefit, such as investment properties.

The Executive Director of Corporate Services will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the council's risk exposure.

Investment objectives in relation to these types of investments will still be primarily security and liquidity but with the understanding that the liquidity for these types of investments may be less than those for treasury management activities and that these may be subject to higher levels of risk. When non-treasury management investments are considered due diligence will take place with all proposed investments being subjected to a detailed financial appraisal that will include financial sustainability of the investment and the identification of risk to both capital and returns. An assessment against loss will be carried out periodically and if the value of non-financial investments is no longer sufficient to provide security against loss mitigating actions will be taken. Decisions relating to non-treasury management investments will follow appropriate governance arrangements.

Non-treasury investments are covered within the Capital Strategy (Appendix 1).

3. Scheme of delegation

3.1 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.. 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	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 –updates or revisions at other times	Full Council	As appropriate
Treasury Management Monitoring Reports	Executive Director of Corporate Services	Monthly
Treasury Management Practices	Executive Director of Corporate Services	Annually

Area of Responsibility	Council/ Committee/ Officer	Frequency
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
Annual Treasury Management Outturn Report	Cabinet / Audit and Governance	Annually by 30/9 after the end of the financial year

4. The Treasury Management Role of the Section 151 Officer

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

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

Appendix 8 Continued

Annex A

Interest Rate Forecasts

The data set out overleaf shows a variety of forecasts published by Link Asset Services and Capital Economics (an independent forecasting consultancy).

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

Appendix 8 Continued

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

Annex A

Survey of Economic Forecasts

HM Treasury November 2018

The current 2018 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury November 2018 report.

BANK RATE FORECASTS	Annual Average Bank Rate Ave. 2018	Ave. 2019	Ave. 2020	Ave. 2021	Ave. 2022
Average	0.64%	0.97%	1.37%	1.69%	1.92%
Highest	0.75%	1.25%	2.25%	3.00%	3.00%
Lowest	0.50%	0.75%	0.75%	1.00%	1.00%

Source: HM Treasury: Forecasts for the UK Economy Nov. 2018 (No.377)

Annex B

Lending List Criteria

<u>Counterparty Criteria</u>
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**	**<u>Maximum Deposit £m</u>**	**<u>Maximum Duration</u>**
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)					250	2 years
Money Market Funds (CNAV, LVNAV and VNAV) 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					40	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.

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 non-UK 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 £50m which can be invested in other countries provided they meet the above criteria. A separate limit of £250m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	250
Non-UK	50

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	250
Local Government	250
UK Banks	250
Money Market Funds	120
UK Building Societies	100
Foreign Banks	50

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

- the 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 C.

Annex C

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	-	Aa2	-	AA	-	350	2 years
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Lloyds Bank Corporate Markets plc (NRFB)	A	F1	A1	P-1	A	A-1	70	364 days
Bank of Scotland Plc (RFB)	A+	F1	Aa3	P-1	A+	A-1	70	364 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 80	
The Royal Bank of Scotland Plc (RFB)	A+	F2	A1	P-1	A-	A-2	80	2 years
National Westminster Bank Plc (RFB)	A+	F2	A1	P-1	A-	A-2	80	2 years
NatWest Markets plc (NRFB)	A	F2	Baa2	P-2	BBB+	A-2	80	2 years
Santander UK plc	A+	F1	Aa3	P-1	A	A-1	65	364 days
Barclays Bank plc (NRFB)	A+	F1	A2	P-1	A	A-1	65	364 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A	A-1	65	364 days
Clydesdale Bank *	BBB+	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	Caa1	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	364 days
HSBC Bank plc (NRFB)	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
HSBC UK Bank plc (RFB)	AA-	F1+	-	-	AA-	A-1+	75	2 years
Nationwide BS	A	F1	Aa3	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	364 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A	F1	A2	P-1	-	-	65	364 days
Leeds BS	A-	F1	A3	P-2	-	-	50	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
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
Australia	AAA		Aaa		AAA		100	2 years
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Canada	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Finland	AA+		Aa1		AA+		100	2 years
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	75	2 years
Germany	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Netherlands	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa3	P-1	A+	A-1	70	364 days
Nederlandse Waterschapsbank N.V	-	-	Aaa	P-1	AAA	A-1+	100	2 years
Singapore	AAA		Aaa		AAA		100	2 years
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Sweden	AAA		Aaa		AAA		100	2 years
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	75	2 years
USA	AAA		Aaa		AA+		100	2 years
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	70	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 £80m.

* 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 Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.