CABINET MEETING – 10 FEBRUARY 2016

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:
Capital Programme 2016/2017 and Treasury Management Policy and Strategy 2016/2017, including Prudential Indicators for 2016/2017 to 2018/2019

Author(s):
Interim Head of Paid Service and Director of Finance

Purpose of Report:
To update Cabinet on the level of capital resources and commitments for the forthcoming financial year and seek a recommendation to Council to the overall Capital Programme 2016/2017 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2016/2017 and to approve the Prudential Indicators for 2016/2017 to 2018/2019.

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

- the proposed Capital Programme for 2016/2017;
- the Treasury Management Policy and Strategy for 2016/2017 (including specifically the Annual Borrowing and Investment Strategies);
- the Prudential Indicators for 2016/2017 to 2018/2019;
- a revised Minimum Revenue Provision Statement for 2015/2016 and the Minimum Revenue Provision Statement for 2016/2017.

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

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

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

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

Impacts analysed;

Equality ✓ **Privacy** ✓ **Sustainability** ✓ **Crime and Disorder** ✓

Is the Decision consistent with the Council's co-operative values? **Yes**

Is this a "Key Decision" as defined in the Constitution? **Yes**

Is it included in the 28 day Notice of Decisions? **Yes**

CABINET – 10 FEBRUARY 2016

CAPITAL PROGRAMME 2016/2017 AND TREASURY MANAGEMENT POLICY AND STRATEGY 2016/2017, INCLUDING PRUDENTIAL INDICATORS FOR 2016/2017 TO 2018/2019.

Report of the Interim Head of Paid Service and Director of Finance

1. Purpose of the Report

1.1 To update Cabinet on the level of capital resources and commitments for the forthcoming financial year and seek a recommendation to Council to the overall Capital Programme 2016/2017 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2016/2017 and to approve the Prudential Indicators for 2016/2017 to 2018/2019.

2. Description of Decision

2.1 Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2016/2017;
- the Treasury Management Policy and Strategy for 2016/2017 (including specifically the Annual Borrowing and Investment Strategies);
- the Prudential Indicators for 2016/2017 to 2018/2019;
- a revised Minimum Revenue Provision Statement for 2015/2016 and the Minimum Revenue Provision Statement for 2016/2017.

3. Capital Programme 2016/2017

3.1 **General**
The proposed Capital Programme for 2016/2017 reflects both the drive to deliver on the aims and priorities set out in the Economic Master Plan as well as the Council's increasingly commercial approach to securing capital investment in the City in order to deliver growth and jobs. The total programme proposed amounts to £122.285m as set out below:

	Capital Programme 2016/2017
	£m
Children's Services	8.218
Transport	49.477
Health, Housing and Adult Services (HHA)	2.183
Other Service and Economic Regeneration Priorities	62.407
Total	**122.285**

3.2 Members will be aware that the Council has committed resources towards a substantial capital programme spanning a five year period. Therefore the 2016/2017 programme reflects ongoing capital scheme commitments from previous years of £98.368m as set out in Appendix 1 and new starts of £23.917m. The proposed new starts are set out in Appendix 2 and the details of the full Capital Programme for 2016/2017 are included as Appendix 3. The rest of this section of the report covers proposals for new starts in more detail.

3.3 **Joint Venture Arrangements**

In addition to the above directly funded capital schemes the Council formed a Local Asset Backed Vehicle (Siglion) with Carillion (Maple Oak) Ltd in November 2014. Siglion's early focus is on developing the three priority regeneration sites of the former Vaux brewery, Chapelgarth and Seaburn. The former Vaux brewery site will be predominantly an office-led development and a planning application has recently been submitted in relation to the construction of the first building and associated infrastructure on the site. Construction is planned to start mid 2016 with completion by the end of 2017 and will add impetus to the regeneration of the city centre. Chapelgarth is a mixed density residential development and Seaburn a mixed leisure and residential development. Development proposals in respect of the sites continue to be progressed.

Similarly, Sunderland Lifestyle Partnership, formed with Sports and Leisure Management Ltd in June 2015 continues to progress investment in the expansion and refurbishment of gym and leisure facilities across the City. Major works are planned in the first two years at a number of sites including Silksworth Tennis Centre, Silksworth Ski Centre, the Aquatic Centre and Raich Carter.

3.4 **Resources Available for new Starts**

3.4.1 **Resources - Grants**

As reported to Cabinet in January 2016 resources have been allocated regarding Education, Transport, Communities and Local Government, and Health Government Grants on the basis of their specific government funding approvals and other service specific resources.

The table below details Government Grants announced for 2015/2016 onwards.

	2015-16 £000s	**2016-17 £000s**	**2017-18 £000s**
Highways Maintenance	3,306	3,031	2,939
Integrated Transport	1,606	1,606	1,606
Nexus Allocation	32	32	32
Total Transport	**4,944**	**4,669**	**4,577**
Better Care Fund	2,660	tbc	tbc
Total Health, Housing and Adult	**2,660**	**tbc**	**tbc**
Schools Condition Allocation	1,786	1,786	1,786
Education Basic Need	508	533	0
Schools Devolved Funding	478	478	478
Total Department for Education	**2,772**	**2,797**	**2,264**

3.4.2 **Resources – Capital Receipts and Reserves**

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

As part of its property rationalisation programme the Council is marketing sites when it is felt to be the appropriate time in order to achieve best value and help support operational efficiencies. Following a review of capital receipts and existing reserves at this stage it is proposed that no capital receipts and £8.005m reserves are used to support the capital programme (£4.750m in 2016/2017 and £3.255m in future years).

Elsewhere on the agenda, the Revenue Budget and Proposed Council Tax report sets out the Council Efficiency Strategy for the period 2016/2017 to 2019/2020. In accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes, the Strategy includes the proposed use of capital receipts arising in 2016/2017 to support to transformation costs arising from implementing the Council's savings programme for 2016/2017 and 2017/2018. 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 throughout the year and final decisions on funding options will 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.

3.4.3 **Resources – Revenue Budget**

Revenue resources available to support new starts in 2016/2017 amount to £0.570m which will be used to support the Council's Disabled Facilities Grants programme. The full provision for the Disables Facilities Grants 2016/2017 will be considered upon confirmation of the Better Care Fund allocation for that year.

3.4.4 **Resources – Borrowing**

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

The budget includes prudent provision for capital financing charges that may arise from an additional net £35.530m of prudential borrowing (£14.170m in 2016/2017 and £21.360m from 2017/2018) and a further provision is made within capital financing charges for further schemes that may progress subject to development of a detailed business case. However, it is important to note that much of this investment is anticipated to be recouped through commercial arrangements over time and some investments are linked to the generation of savings to support the revenue budget. Additionally, it is proposed to use this borrowing flexibly by switching with further capital receipts once realised, in part as a result of the on-going asset management review. This would reduce planned capital finance charges that may arise from this borrowing.

3.5 **Detailed Proposals for New Starts and Capital Programme 2016/2017**

3.5.1 The Council is awaiting further details of grants that will be awarded to support the 2016/2017 capital programme, including the Better Care Fund, and therefore further grants awarded will be added to the capital programme and reported to Cabinet once details become known.

3.5.2 More than ever before, the financial climate requires the Council's capital programme to be focused on the key priority projects that will generate the greatest benefits in terms of delivery in the City, taking into account:-

- the aims and priorities set out in the Council's refreshed Economic Master Plan ("EMP");
- the more detailed strategies that feed into the EMP, including emerging strategies on regeneration (including Housing and Transport) and Culture;
- the recently launched 3,6,9 Vision to transform the City which has identified the initiatives, projects and ideas that will help shape the city in the coming years;
- the Council's increasing focus on working in partnership with public, third sector and private partners to deliver those city-wide aims, priorities and strategies;
- the need to maximise the potential benefits of the Region's devolution agenda and delivery mechanisms, and ensure that these benefit people and businesses in the City;
- the need to continue to scan for opportunities for accessing additional public sector, Government and European funding and to leverage private sector funding into the City;
- the need to build on previous successes and developments, such as securing Enterprise Zone status for parts of the new International Advanced Manufacturing Park and the Port; and
- our increasingly commercial approach to securing capital investment in the City in order to deliver growth and jobs.

3.5.3 In the light of these priorities, the proposed capital strategy for 2016/2017 takes into account:-

- The Council's reducing resources (in terms of both available finance and people resources);
- An increased focus on the role that the Council's strategic assets acquisition and disposal programme will play in driving economic regeneration, alongside improving transport connectivity to create the conditions for growth. The Council will continue to acquire key sites, prepare them for development and release them to the market in a manner that helps ensure that development is of a form and quality commensurate with our regeneration aspirations and generates appropriate capital and revenue returns. This approach builds on a comprehensive review of the Council's land and buildings assets undertaken in 2015/2016. The appropriate and timely release of redundant Council assets for development will play a part in facilitating development of housing, commercial and other uses;
- The required emphasis on investing to save, to:-
    - 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);
- On-going 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); and
- Maximising the benefits of existing delivery partnerships (such as Siglion and Sunderland Lifestyle Partnership).

3.5.4 The views of Portfolio Holders and Directors have been taken into account in framing the proposals.

3.5.5 The following schemes are proposed as new starts in respect of the capital programme for 2016/2017 with further details set out in Appendix 2.

Project	Total Capital Programme £m	Spend 2016/2017 £m
Children's Services Schemes	5.161	0.778
Transport Schemes	8.416	3.839
Health, Housing & Adults Schemes	0.000	0.000
Invest to Save Projects:		
- Energy Efficiency - Northumbrian Water Smart Metering Programme	0.130	0.130
- Specialist Vehicle Replacement – transit vehicles	0.090	0.090
- Trade Waste Bins	0.020	0.020
- Mobile Catering Facility	0.045	0.045
Strategic Land & Property Acquisitions	15.400	7.900
Highways Maintenance Asset Management	6.000	1.500
Investment Corridor Round 2	5.800	0.550
A19 Ultra Low Carbon Enterprise Zone	3.000	0.000
Sunderland Youth Zone Contribution	3.000	3.000
Refresh of Essential Core ICT Infrastructure	2.000	1.000
Minster Quarter Access Road	1.500	0.000
Building Based Modernisation for Adult Social Care	1.265	1.265
Flood and Coastal Protection Programme	1.012	0.370
Port Infrastructure	1.000	0.250
Investment Corridors - MAC Trust Contribution	0.600	0.600
Children Social Care Homes	0.600	0.600
Planned Property Capital Maintenance	0.877	0.747
Seafront Toilet Refurbishment	0.300	0.150
Parks & Cemetery Infrastructure - Paths	0.300	0.075
Port Enterprise Zone and SSTC5 Design	0.250	0.250
City Centre Way Finding	0.200	0.050
Specialist Vehicle Replacement – collection vehicles	0.160	0.160
Bishopwearmouth Horticultural Nursery	0.123	0.123
Social Care Mobile Technology – Children's Services	0.100	0.100
Social Care Mobile Technology – Adult's Services	0.100	0.100
Car Parks	0.095	0.095
Bereavement Services Equipment	0.080	0.080
Keel Square and Seafront Lighting	0.030	0.030
Mobile Vehicle Lifts	0.020	0.020
Total New Starts	**57.674**	**23.917**

The proposed additional new starts amounting to £23.917m (total scheme costs of £57.674m) are set out below. Of the total £57.674m, £14.139m is externally funded and £43.535m from Council resources. It is important to note that some capital schemes included in the table above will be subject to funding bids which are being developed, including for resources available to the NECA as part of any devolution agreement. Planned funding sources for individual capital schemes may be altered but funding will be allocated to projects in order to achieve best value to the Council and the capital programme will continue to be prudent, affordable, and sustainable into future years and within overall borrowing limits whilst still retaining flexibility.

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

3.6 **Further Reports**

In accordance with the Council's Constitution, prior to 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 whilst for those schemes below £0.250m consultation must take place with the relevant Cabinet Portfolio Holder in advance of delegated decisions being taken to implement these schemes. Any further new schemes will therefore follow the above processes for approval as they emerge.

4. Prudential Framework and Code

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

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

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

4.3 All authorities must follow the latest prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process. The prudential and treasury management indicators have been prepared for the financial year 2016/2017, taking into account all matters specified in the code. Regular monitoring will take place during the year and reports made to Cabinet to show the Council's performance and compliance with these indicators as part of the quarterly capital review reports as appropriate.

4.4 All of the indicators together with background information to these indicators and what they are seeking to assess, are detailed in Appendix 4 in full compliance with the code.

4.5 Regulations came into force on 31st March 2008 which requires local authorities to set, each year, an amount of Minimum Revenue Provision (MRP) it considers prudent. It also recommends that an annual statement of its policy on making a MRP in respect of the following financial year is submitted to full Council for approval. Local authorities have significant discretion in determining the level of MRP which they consider to be prudent. The Council's MRP policy has been reviewed and changes have been identified to the way in which MRP is calculated that will reduce the pressure on revenue budgets whilst still ensuring that a prudent level of provision is set aside.

4.6 The major changes proposed to current MRP policy are to;

- change MRP provided on borrowing supported by the government from the regulatory method which reduces borrowing incurred by 4% each year to one in which borrowing is paid off in full over 50 years. CLG guidance is that debt from borrowing supported by Government Revenue Support Grant (RSG) should be 'reasonably 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 not possible to relate the grant received to any particular level or period of annual debt repayments. Additionally grants distributed to local authorities are 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%. On this basis it is proposed that MRP on supported borrowing is reduced to the same level i.e. to 2%. This extends the repayment period to 50 years which is considered reasonable given the Council's asset portfolio to which the debt relates.
- calculate MRP using an annuity method rather that the current 4% reducing balance for supported borrowing and the current equal instalments method for unsupported borrowing. 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 interest on current debt (3.51%).

The proposed changes will reduce the level of revenue applied to provide for debt in the short to medium term as in the initial years MRP is significantly lower than the 4% reducing balance method and equal instalments over asset life method. This change 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 as the amount of MRP applied each year is lower than current policy. The consequence of debt being repaid more slowly will be that the Council incurs a higher interest cost than under the current policy (although the net present value of the additional costs incurred compared to other methods of providing from MRP is neutral). However, it is considered that the change in policy to repayment using an annuity method is fairer than the previous methods used as the annuity method better reflects the time value of money i.e. where paying £100 in 10 years' time is less of a burden than paying £100 now.

A major benefit of the proposals is that the Council's CFR will be eliminated more quickly in the longer term than under current arrangements through changing from a reducing balance method for supported borrowing. The reducing balance method leaves a balance remaining in perpetuity and there would still be a balance of £22.4m borrowing outstanding after 50 years whereas the proposed method will fully write down the CFR for supported borrowing to zero over the 50 years period. These proposals for MRP therefore ensure that prudence is maintained and strengthened, as providing for debt that has been funded by supported borrowing over a 50 year period, rather than having an ongoing debt liability from the 4% reducing balance method, means that debts are provided for more quickly and more transparently.

The re-phasing of the MRP does not impact of the cost of actual debt to the Council, rather it re-profiles the years over which the provision for debt is made. Taking the cost of debt interest into account net reductions to the current revenue budget are estimated from 2015/2016 to 2026/2027 with an increase then arising until 2064/2065 followed by an on-going decrease. These reductions will assist the Council in addressing the impact of funding reductions as described in the Council's MTFS.

4.7 It is recommended that the changes proposed above are introduced from the 2015/2016 financial year. This will provide an earlier benefit to the Council's revenue budget. A revised recommended Minimum Revenue Provision Statement for 2015/2016 and a recommended Minimum Revenue Provision Statement for 2016/2017 for the Council is set out in Appendix 5.

5. Treasury Management

5.1 General

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

5.2 Statutory requirements

The Local Government Act 2003 (the Act) requires the Council to adopt a Treasury Management Policy Statement (detailed in Appendix 6) and to set out its Treasury Management Strategy comprising the Council's strategy for borrowing and the Council's policies for managing its investments, and giving priority to the security and liquidity of those investments (set out in Appendix 7).

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

5.3 CIPFA Code of Practice requirements

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

The primary requirements of the Code include 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 6 and the TMPs follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the particular circumstances of the Council and these do not result in the Council deviating from the Code's key principles.

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

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

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

5.4 **Treasury Management Strategy Statement for 2016/2017**

5.4.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments in 2016/2017.

5.4.2 There are however no major changes being proposed to the overall Treasury Management Strategy in 2016/2017 which maintains the careful and prudent approach adopted by the Council in previous years. Particular areas that inform the strategy include the extent of potential borrowing included in the Council's capital programme, the availability of borrowing, and the current and forecast global and UK economic positions, in particular forecasts relating to interest rates and security of investments.

5.4.3 The proposed Treasury Management Strategy Statement for 2016/2017 is set out in Appendix 7 and is based upon the views of the Director of Finance, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Capita Asset Services.

5.4.4 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. The Council's performance for 2015/2016 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.51% is low in comparison with other local authorities whilst the current rate earned on investments at 0.91% is higher than the benchmark rate of 0.36%. Market conditions are also under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. Reasons for Decision

6.1 To comply with statutory requirements.

7. Alternative Options

7.1 No alternative options are proposed.

8. Impact Analysis

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

9. List of Appendices

9.1 Appendix 1 - Capital Commitments into 2016/2017
Appendix 2 - Capital Programme 2016/2017 New Starts
Appendix 3 - Capital Programme 2015/2016 to 2019/2020
Appendix 4 - Prudential and Treasury indicators 2016/2017 to 2018/2019
Appendix 5 - Revised Minimum Revenue Provision Policy Statement 2015/2016 and Minimum Revenue Provision Policy Statement 2016/2017
Appendix 6 - Treasury Management Policy Statement
Appendix 7 - Treasury Management Strategy Statement for 2016/2017

Appendix 1

	Capital Commitments 2016/2017 from 2015/2016
	£m
Children’s Services Schemes	3.740
Transport Schemes	43.888
Health, Housing & Adults Schemes	0.695
Vaux Phase 1	12.915
A19 Ultra Low Carbon Enterprise Zone	6.230
Street Lighting - LED Energy Efficiency	5.300
Strategic Land & Property Acquisitions	3.500
City Deal	3.317
Sunderland Railway Station	2.900
Beacon of Light Contribution	2.000
Parks Improvement Programme	1.500
New Salt Barn	1.500
Public Realm - former Crowtree Leisure Centre	1.500
Investment Corridors	1.264
Provision for Economic Development Grants	0.690
Seafront Schemes	0.561
Sunderland Railway Station Public Realm	0.500
Other Schemes	6.368
Total	**98.368**

Appendix 2

Capital Programme 2016/2017 – New Starts

1. Other Capital New Start Proposals 2016/2017

Resources to support other proposals for capital projects are set out in Section 3 of the main report. The following projects are proposed for inclusion in the 2016/2017 capital programme.

1.1 Invest to Save New Start Proposals

The following projects are investments that are required to support efficiency savings from 2016/2017:

1.1.1 Energy Efficiency – Northern Water Smart Metering Programme £0.130m in 2016/2017

Delivery of a partnership project with Northumbrian Water using new technology to remotely monitor and manage utilities consumption on an invest to save basis.

1.1.2 Specialist Vehicle Replacement – transit vehicles £0.090m in 2016/2017

It is proposed to acquire two cash in transit vehicles to replace existing lease arrangements saving c. £30,000 per annum.

1.1.3 Trade Waste Bins £0.020m in 2016/2017

In order to support the anticipated expansion of the trade waste service funding is for the acquisition of new trade waste bins.

1.1.4 Mobile Catering Facility £0.045m in 2016/2017

Investment in a mobile catering vehicle will enable the service to realise additional income through the catering element of Place services. Sales would be to staff and public at designated locations and venues, and also through providing a service at a range of local and regional events.

1.2 Other New Start Proposals

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

1.2.1 Strategic Land & Property Acquisitions £15.400m (£7.900m in 2016/2017 and £7.500m in 2017/2018)

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

1.2.2 Highways Maintenance Asset Management £6.000m (£1.500m in 2016/2017, £1.500m in 2017/2018, £1.500m in 2018/2019 and £1.500m 2019/2020)

Additional highways management works as identified in the Highways Asset Management Review are required in order to reduce the deterioration of the strategic highways network. Works planned include A1231 Sunderland Highway reconstruction and resurfacing – between the Nissan Interchange and the A195 Interchange westbound, and between the A195 and the Peel Industrial Estate eastbound.

1.2.3 Investment Corridor Round 2 £5.800m (£0.550m in 2016/2017, £2.250m in 2017/2018, £1.500m in 2018/2019 and £1.500m in 2019/2020)

The programme of infrastructure investment within the City Centre seeks to improve the city centre environment, connect new and existing assets, integrate the University 'City Campus' within the city centre; and align to those areas in the City Centre with the greatest public and private sector investment potential.

Current projects being undertaken under Round 1 will deliver landscaping to Sunniside Gap sites, upgrades to High Street West over two phases either side of Keel Square, restoration of Town Park, crossing upgrades to St Michael's Way to improve access to and from the University.

This second round of Investment Corridors will enable the on-going delivery of the objectives of the Sunderland Economic Masterplan. Round 2 infrastructure investment will target Park Lane, Holmeside and Waterloo Place. The scheme will link the City Centre gateways of Park Lane Interchange and Sunderland Station (supporting its future redevelopment) to major destinations such as the Bridges Shopping centre and new Sunderland College City Centre Campus. The investment will also support existing businesses and encourage private sector investment into the area, including the Holmeside site.

1.2.4 A19 Ultra Low Carbon Enterprise Zone £3.000m in 2017/2018

Following completion of phase 1a of the project and the further development of the requirements in relation to Phase 1b and 2, a further £3m further investment is required to deliver the required outcomes. The investment to date has helped secure the inward investment from Vantec for their new facility. The current £21m scheme has successfully secured external funding, and further external funding is to be sought for this additional investment.

1.2.5 Sunderland Youth Zone Contribution up to £3.000m in 2016/2017

A contribution of up to £3m towards the provision of a youth zone in an accessible city centre location (Holmeside) is proposed. The project is to be delivered by Onside.

1.2.6 Refresh of Essential Core ICT Infrastructure £2.000m (£1.000m in 2016/2017 and £1.000m in 2017/2018)

Investment in the refresh of network, security, connectivity and platform infrastructure is proposed to ensure the continued provision of essential digital / ICT solutions to assure the continued delivery of council services.

1.2.7 Minster Quarter Access Road £1.500m in 2017/2018

Provision of a new access road is proposed through the police station site to the Minster Quarter Area, which will improve traffic movements in the area and assist with the wider regeneration of the area.

1.2.8 Building Based Modernisation for Adult Social Care £1.265m in 2016/2017

Investment into Adult Social Care physical assets is proposed to support improvement in services to these clients including intermediate, day care and short break centres. This is linked to the implementation of the SCAS Business Plan and delivery of up to £5m reductions to the Council over the next 2 years.

1.2.9 Flood and Coastal Protection Programme £1.012m (£0.370m in 2016/2017, £0.238m in 2017/2018, £0.150m in 2018/2019 and £0.254 in 2019/2020)

Implementation of a number of schemes for which significant funding has been secured from the Environment Agency. The scheme will include city wide culvert repairs, alleviating surface water flooding in Springwell Village and completing an Integrated Drainage Study in Houghton and Hetton.

1.2.10 Port Infrastructure £1.000m (£0.250m in 2016/2017, £0.250m in 2017/2018, £0.250m in 2018/2019 and £0.250m in 2019/2020)

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.

Further investment requirements which will improve the Port's operations, support inward investment and commercial opportunities will be considered on an invest to save basis and external funding leveraged wherever.

1.2.11 Investment Corridors – MAC Trust Contribution £0.600m in 2016/2017

A contribution to the MAC Trust for the development of the former Dun Cow fire station to create a performing arts centre including auditorium is proposed. This is a contributor to the regeneration of the city centre. Grant funding is also being provided to the MAC Trust from the Heritage Lottery Fund and the Arts Council.

1.2.12 Children Social Care Homes £0.600m in 2016/2017

Acquisition and subsequent refurbishment of children's social care homes would enable the Council to have greater strategic management control. The proposal would enable revenue savings of £90,000 per annum in rent charges to be delivered.

1.2.13 Planned Property Capital Maintenance £0.877m (£0.747m in 2016/2017 and £0.130m in 2017/2018)

To help prevent the on-going degradation of the property portfolio it is proposed that additional resources are provided to address more urgent investment requirements, including health and safety matters as they arise.

1.2.14 Seafront Toilet Refurbishment £0.300m (£0.150m in 2016/2017 and £0.150m in 2017/2018)

It is proposed to fund the completion of a rolling programme of seafront toilet refurbishment, including improvements to the tram shelter toilets and Marine Walk north toilet block. This will improve facilities at the seafront for visitors.

1.2.15 Parks & Cemetery Infrastructure - Paths £0.300m in (£0.075 in 2016/2017, £0.075 in 2017/2018, £0.075 in 2018/2019 and £0.075 in 2019/2020)

Introduce a risk management approach to repairing path defects in cemeteries and parks to improve access and safety of visitors.

1.2.16 Port Enterprise Zone and SSTC5 Design £0.250m in 2016/2017

Following part of the Port being included with the North East's successful round 2 bid for enterprise zone status and aligned to the development of SSTC phase 5, which links Wearmouth Bridge to the Port, initial design development work for the infrastructure improvements, access and transport arrangements is required. Delivery proposals would be considered further and would increase the attractiveness of the Port to potential occupiers.

1.2.17 City Centre Way Finding £0.200m (£0.050 in 2016/2017, £0.050 in 2017/2018, £0.050 in 2018/2019 and £0.050 in 2019/2020)

The proposal would enable the creation and implementation of a standard and future proofed system for pedestrian navigation around the City centre which will be adopted by the Council and its partners. This will improve the appearance and visitor experience.

1.2.18 Specialist Vehicle Replacement – collection vehicles £0.160m in 2016/2017

Four bulky item collection vehicles have reached the end of their operational life and it is proposed to acquire these to enable services to continue to be provided.

1.2.19 Bishopwearmouth Horticultural Nursery £0.123m in 2016/2017

Infrastructure upgrades enable the service to move to an alternate delivery model and to support the sustainability of this service, including parking facilities, office and kitchen improvements.

1.2.20 Social Care Mobile Technology – Children's Services £0.100m in 2016/2017

Purchase of tablets to support priorities identified in the Children's Safeguarding Improvement Plan.

1.2.21 Social Care Mobile Technology – Adult's Services £0.100m in 2016/2017

Purchase of tablets to support integrated working and would support meeting the requirements of the Care Act.

1.2.22 Car Parks £0.095m in 2016/2017

A comprehensive refurbishment of the lifts at St. Mary's car park is required due to their current unreliability, and replacement of the parking charge machines at Sunniside car parks is required as they have reached the end of their operational life.

1.2.23 Bereavement Service Equipment £0.080m in 2016/2017

In order to ensure the service continues to deliver services to the public in line with required outcomes, the acquisition of equipment is required that will to shore up and secure graves ahead of interments.

1.2.24 Keel Square and Seafront Lighting £0.030m in 2016/2017

The commissioning of a lighting artist to design a colour scheme for the feature lights at Keel Square, Roker and Seaburn will maximise the benefits from the equipment.

1.2.25 Mobile Vehicle Lifts £0.020m in 2016/2017

The existing fixed lift at South Hylton House requires replacement. It is proposed to acquire a new mobile lift as this is more effective than repairing the existing lift. The mobile lift will be transferable between premises.

1.3 Potential Invest to Save / Grant Funded Schemes

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

2.0 Highways Capital Funding 2016/2017

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

Following a short consultation exercise last year with local authorities, the Department for Transport (DfT) reviewed and revised the basis for allocating this funding to councils via a Funding Model for 2015/2016 to 2020/2021. On 11 June 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 for in 2016/17, provisionally being £18,000 for Sunderland and included in the Highways Maintenance allocation.

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

The 2015/2016 to 2017/2018 funding arrangements for each local authority in NECA have been agreed by the NECA Transport Group. For Sunderland the allocation is £1.606m, being an allocation from the Tyne & Wear funding as in previous years. There is also a 4% top-slice from this and the above Highways Maintenance to fund a NECA transport team (replacement of the previous transport management teams with similar funding arrangements) as well as provide for continuation of collaborative projects within the Tyne & Wear region.

2.2 The table below details the Highways Capital Funding announced for 2015/2016 to 2017/2018.

	2015-16 £'000	**2016-17 £'000**	**2017-18 £'000**
Highways Capital Maintenance	3,306	3,031	2,939
Highways Integrated Transport	1,606	1,606	1,606
Nexus Allocation	32	32	32
Total Transport	**4,944**	**4,669**	**4,577**

There is also other funding from prudential borrowing. The Council has previously approved investment of £5m over 5 years into capital transport schemes from 2012/2013 to 2016/2017 (£1m p.a.). The total confirmed funding for transport schemes from 2016/2017 from prudential borrowing and new grants is therefore £10.246m (£4.669m 2016/17 grants, £4.577m 2017/18 grants, and £1m 2016/17 prudential borrowing), or £9.246m from new grants only.

Proposals for Highways Capital Programme New Starts 2016/2017

2.2.1 The proposed capital programme for 2016/2017, excluding funding for on-going commitments in relation to the New Wear Crossing and City Centre Cycle Permeability Scheme, will leave £3.839m (£5.669m less £1.75m and less £0.080m) to support the following priorities:

- The structural maintenance of highways and bridges – £2.652m.

- 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 - £1.187m (including £0.189m for the NECA Transport team.)

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

3.0 Health, Housing and Adult Services Capital Proposals 2016/2017

3.1 The Better Care Fund allocations for 2016/2017 have yet to be announced. Allocations for 2015/2016 were £2.660m in total, with £0.873m allocated as Social Care Capital Grant and £1.787m allocated as Disabled Facilities Grant. Upon funding confirmation, proposals will be reported back to Cabinet for approval.

4.0 Children's Services Capital Proposals 2016/2017

4.1 The table below details the Children's Services Government Grants announced for 2015/2016 onwards.

	2015-16 £'000	**2016-17 £'000**	**2017-18 £'000**
Schools Condition Allocation	1,786	1,786	1,786
Education Basic Need	508	533	0
Schools Devolved Funding	478	478	478
Total Children's Services	**2,772**	**2,797**	**2,264**

4.1.1 Schools Conditions Allocation

The Schools Condition Allocations is provided to the Council. Academies and Voluntary Aided schools receive this funding direct from the Department of Education. Allocations have previously been announced up to 2017/2018 and are indicative, being dependent on the number of local schools that convert to academies. The Council therefore needs to be prudent before committing expenditure against this funding stream.

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. The Council's allocation for 2016/2017 has been announced at £0.533m. The Council will not receive a Basic Need allocation for 2017/18.

4.1.3 Funding Availability from 2016/2017

There is projected to be £6.933m Education Capital grants (Schools Condition Allocation and Basic Need) that will be available from 2016/2017 for School Asset Management Priorities, excluding the Schools Devolved Capital grant from which schools will determine their own priorities from their allocations. This consists of £2.828m from allocations projected to be brought-forward from 2015/2016 and prior years, and new allocations of £4.105m. Of the £6.933m available funding, £1.349m is committed to current projects, leaving £5.584m available for new start projects.

4.2 Proposals for Children's Services Capital Programme New Starts

Details below show current proposals from the new grant allocations as well as the projected grant allocations brought forward from previous years. Further proposals may arise during the year as other essential works emerge to meet key priorities.

The Council is committed to carrying out an on-going set of improvements across the maintained educational estate in the City.

4.2.1 The focus of investment is health and safety, keeping buildings wind and watertight and thereby avoiding school closures. A contingency sum of £1.0m, being the balance of uncommitted funding to 2015/2016, is therefore required to address the numerous unforeseen situations that arise in schools year on year. To achieve this outcome an on-going refurbishment programme is in place focusing on the following areas:

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

4.2.2 A programme to redevelop existing open teaching space at Rickleton Primary School has been identified following the completion of feasibility work. This will focus on the redevelopment of the Year 5 and 6 areas of the school and will result in increased class space and greater circulation. An initial project budget of £0.300m has been allocated for this work. It is to be jointly funded with the Council meeting £0.200m of the project cost from the School Conditions Allocation and the school providing £0.100m from their reserves.

4.2.3 The above would leave £4.384m for future demands/proposals from grants allocated up to 2017/2018.

4.3 Pupil Place Planning

4.3.1 In addition to the proposed works above the Council is assessing the localities where pupil projections have indicated there will be insufficient school places to meet future demand. Previous capacity increases in North Sunderland, Washington and Hetton have mitigated the requirement for additional places in these areas. However, the Council will continue to monitor demand for school places during the current admissions round in order to respond to any immediate and unforeseen additional demand for places.

4.3.2 Any short to medium term increase in school places will be as a consequence of demand from local housing development. The Council is currently evaluating potential demand for school places as a consequence of the South Sunderland Growth Area (SSGA). Discussions have taken place with Schools in the South Sunderland Area on potential expansion locations. It is estimated that there will be approximately 630 new places to be created and funding is to be sought via S106 contributions.

4.3.3 Work is underway to assess potential further increase of places for pupils on the Autistic Spectrum (ASD). At present, with all ASD provision in the City at capacity, the Council is identifying potential locations for further expansion of provision.

4.3.4 Upon completion of any proposals, capital investment requirements will be submitted to Cabinet for approval.

CAPITAL PROGRAMME

Summary of Programme
2015/16 to 2019/20

Expenditure by Portfolio	Gross Cost	Expend. to 31.3.15	Estimated Payments				
			2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leader	130,536	29,676	27,845	42,576	27,439	1,500	1,500
Deputy Leader	14,437	9,756	1,360	2,321	1,000		
Cabinet Secretary	31,913	16,561	8,965	3,427	1,470	1,190	300
Children's	22,496	4,388	5,030	8,218	4,860		
Health, Housing & Adult Services	16,979	9,199	5,597	2,183			
Public Health, Wellness & Culture	15,768	9,909	5,184	375		300	
City Services	238,872	34,625	54,960	63,185	49,648	26,825	9,629
Responsive Services & Customer Care	3,649	2,349	1,300				
Contingencies	7,855		3,335		4,520		
TOTAL CAPITAL EXPENDITURE	**482,505**	**116,463**	**113,576**	**122,285**	**88,937**	**29,815**	**11,429**

CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	36,812	38,738	44,431	3,750	3,800
Salix	900	3,520			
Government Grants					
DoH - Grants General	309				
DoH - ICT Grant	8				
DfE - School's Condition Grant	2,382	2,067	3,593		
DfE - Basic Need Grant	1,277	484	789		
DfE - SF Schools DFC Grant	872	931	478		
DfE - 2 Year Old Offer	137	186			
DfE - Short Breaks	29				
DfT - Local Transport Plan (LTP)	4,912	4,637	4,545		
DfT - S31 Transport Grant	33,129	34,482	14,910		
DfT - Local Sustainable Transport Fund (LSTF)	392	408			
Growing Places Fund Grant	2,632				
Regional Growth Fund (RGF)	1,845				
Local Pinch Point (LPP)	607				
Coast Protection	424	1,050	128		54
English Partnership /SHIP	214				
BIG Coastal Communities Fund	160	161			
Government Grants General	34				
Local Growth Fund (LGF)	1,592	16,258	7,800	24,400	7,200
Universal Free School Meals	86				
Department of Energy and Climate Change (DECC)	80				
Better Care Fund Grant	2,660				
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	1,218	1,355	4,715		
ERDF	3,485	2,169	1,831		
Homes and Communities Association (HCA)	647				
Nexus LTP	36	32	32		
Arts Council	258				
Other External Funding					
Schools Governors Contribution		100			
Homes and Communities Association (HCA)	339				
Capital Contributions General	686	30			
Total External Sources	**98,162**	**106,608**	**83,252**	**28,150**	**11,054**
FROM INTERNAL SOURCES					
Revenue Contributions					
General Fund	270				
Strategic Initiative Budget	116				
Directorate	305				
Reserves					
Strategic Investment Reserve	1,194	2,171	2,305	375	375
Strategic Investment Plan Reserve	442	3,403	2,140		
Unutilised RCCO Reserve	1,427	363			
Capital Priorities Reserve	3,198	709		300	
Stadium Park Transfer Reserve	1,152				
HCA Cycleways Reserve	9				
Rainton Bridge Reserve		193			
SAP Development Reserve	39				
Digital Challenge Reserve	494				
Working Neighbourhoods Reserve	884	1,711	100	100	
Modernisation Reserve	165	835			
New Homes Bonus Reserve	409	582			
S106 Reserve	1,121	113			
Port Reserve	280				
Other Reserves	556				
Commercial & Development Reserve		1,500			
Capital Receipts	3,353	4,097	1,140	890	
Total Internal Sources	**15,414**	**15,677**	**5,685**	**1,665**	**375**
TOTAL FINANCING	**113,576**	**122,285**	**88,937**	**29,815**	**11,429**

LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Facilitating and supporting public and private sector regeneration schemes and developments.
- Improving the connectivity between key regeneration sites and creating a high quality public realm to stimulate further investment.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Strategic Land and Property Acquisitions Provision has enabled further physical regeneration in the City. Properties previously acquired in Nile Street have now been demolished and cleared in current year to provide comprehensive development sites as part of the Joint Venture with Homes and Community Agency for the regeneration Central Sunniside. The former Littlewoods property on Commercial Road in Sunderland has been acquired and demolition is currently being undertaken and this will enable further development of the Port of Sunderland, provide scope for future service area operational and private sector requirements.
- Former Vaux Site Advance Site Works - Completion of the advance works on the Vaux site readying it for development as the City's new central business district.
- Keel Line – Viewing Platform Feasibility Study – The feasibility study to complete the Keel Line with a viewing platform overlooking the river Wear has been completed. The design and construction of the Viewing Platform/Promontory is currently being taken forward by Siglion, and the current planning application for the site includes the Platform in outline.
- St Mary's Boulevard & Keel Square – Has created a better access to the Vaux site and is a component part of the Sunderland Strategic Transport Corridor through the realignment of St Mary's Boulevard enabling the creation of a key public space at Keel Square improving the attraction of the City Centre and creating greater vibrancy.
- New Sunderland College Contribution – The Council has contributed towards the Sunderland College City Centre Campus proposal which continues the regeneration of the City Centre and enables the development of a new flagship base which will run courses for 2,000 students that will be supported by 120 staff and allow public access to its facilities, the college is due to open September 2016.
- Industrial Portfolio Improvement Works at Rainton Bridge – Improvement works to Council owned buildings including a 50,000sq.ft. extension of the existing TRW automotive plant and specialist refit of the existing premises and external roof refurbishment were completed in November 2015. An extension to Unit 11 (Lear) was completed in 2015.

KEY MEDIUM TERM PRIORITIES

- To provide leadership to the Council on all major strategic, corporate and cross-cutting themes.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- A19 Ultra Low Carbon Enterprise Zone – Significant progress has been made at the Enterprise Zone during 2015. Three separate planning applications for a multi-phase scheme of highway improvements to enhance accessibility in and around the area have been submitted and approved. The first phase of these works is due to be completed in March 2016; however the link road which enabled a 40,500 Sq m logistics facility for Vantec Europe Ltd at the Hillthorn Business Park site was completed ahead of programme in December 2015. Works on the remaining phases are scheduled to commence in 2016.
- Sunderland Railway Station Contribution – work with Nexus and Network Rail to complete the detailed design and redevelopment of the above ground concourse to Sunderland Station.

- Railway Station Public Realm – Linked to the Sunderland Station project works will be delivered to improve the public realm around the station. This project will be delivered in parallel with the redevelopment of the station.
- Investment Corridors – Current projects being undertaken under Round 1 will deliver landscaping to Sunniside Gap sites, upgrades to High Street West over two phases either side of Keel Square, restoration of Town Park, crossing upgrades to St Michael's Way to improve access to and from the University.
- City Deal Development – Preparation and submission of an Area Action Plan to meet planning policy requirements and submission of a Development Consent Order is required to secure planning permission. Potential land acquisitions, preparatory and investigatory works are also to be undertaken.
- Strategic Land and Property Acquisitions Provision – Further acquisitions are to be completed which are considered to be a strategic importance.
- Beacon of Light Contribution - The SAFC Foundation of Light is continuing to progress with its Funding Strategy and has already secured several million pounds for the project. Further funding applications are being progressed. The Foundation secured full planning consent for the project in 2015. Following completion of the funding package by the SAFC Foundation of Light, it is proposed to start development in Spring 2016.
- Heat Network - Energy Masterplan & Feasibility Assessment (DECC) – the Sunderland Heat Map will provide a city-wide understanding of current and future heats demands, offering an important evidence base for the Council and partners to develop appropriate solutions for improved energy management and the energy infrastructure requirements for key strategic sites. Procurement is expected to commence early 2016.
- Vaux Phase 1 – The project is the first phase of development on the Vaux Site. The funding will be used to contribute to the construction of the first building which will provide a lettable business space predominantly for growing SMEs as well as start-ups along with strategic infrastructure including roads, utilities, parking, landscape, public realm and external works.
- Public Realm – former Crowtree Road Leisure Centre – As part of the redevelopment of this 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.

New Starts

- A19 Ultra Low Carbon Enterprise Zone - Following completion of phase 1a of the project and the further development of the requirements in relation to Phase 1b and 2, a further £3m further investment is required to deliver the required outcomes.. The investment to date has helped secure the inward investment from Vantec for their new facility.
- Investment Corridor Round 2 - The programme of infrastructure investment within the City Centre seeks to improve the city centre environment, connect new and existing assets, integrate the University 'City Campus' within the city centre; and align to those areas in the City Centre with the greatest public and private sector investment potential. This second round of Investment Corridors will enable the on-going delivery of the objectives of the Sunderland Economic Masterplan. Round 2 infrastructure investment will target Park Lane, Holmeside and Waterloo Place. The scheme will link the City Centre gateways of Park Lane Interchange and Sunderland Station (supporting its future redevelopment) to major destinations such as the Bridges Shopping centre and new Sunderland College City Centre Campus. The investment will also support existing businesses and encourage private sector investment into the area, including the Holmeside site.
- Minster Quarter Access Road - Provision of a new access road through the police station site to the Minster Quarter Area. This will assist with the wider regeneration of the area.
- Strategic Land Acquisitions - Further 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.

LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	72,674	29,676	25,253	15,711	2,034		
Projects Commencing 2015/16	32,162		2,592	18,415	11,155		
Projects Commencing 2016/17	25,700			8,450	14,250	1,500	1,500
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**130,536**	**29,676**	**27,845**	**42,576**	**27,439**	**1,500**	**1,500**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	15,678	23,099	24,358	1,500	1,500
Government Grants					
Growing Places Fund Grant	2,632				
Local Growth Fund (LGF)	1,592	15,158			
Department of Energy and Climate Change (DECC)	80				
Grants from Other Public Bodies					
ERDF	3,035	2,169	1,831		
Other External Funding					
Homes and Communities Association (HCA)	339				
Capital Contributions General	551				
Total External Sources	**23,907**	**40,426**	**26,189**	**1,500**	**1,500**
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	339	150	1,000		
Unutilised RCCO Reserve	100				
Capital Priorities Reserve	3,040				
Working Neighbourhoods Reserve	400				
New Homes Bonus Reserve	59				
Commercial & Development Reserve		1,500			
Capital Receipts		500	250		
Total Internal Sources	**3,938**	**2,150**	**1,250**		
TOTAL FINANCING	**27,845**	**42,576**	**27,439**	**1,500**	**1,500**

LEADER
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects								
	Strategic Economic Development								
CP0126	Former Vaux Site Advance Site Works	F Serajian	1,466	1,127	339				
CP0136	A19 Ultra Low Carbon Enterprise Zone	F Serajian	21,000	1,419	12,581	6,230	770		
CP0127	Strategic Land and Property Acquisition Provision	N Wood	6,659	3,839	2,820				
CP0137	Sunderland Railway Station Contribution	N Wood	3,000		100	2,900			
CP0138	St Mary's Boulevard & Keel Square	F Serajian	12,581	12,169	412				
CP0139	Investment Corridors	D Hattle	4,000	972	500	1,264	1,264		
CP0208	Beacon of Light Contribution	D Hattle	3,000	500	500	2,000			
CP0198	New Sunderland College Contribution	N Wood	3,000		3,000				
	Business Investment								
CP0203	Energy Masterplan & Feasibility Assessment (DECC)	V Taylor	120		120				
	Strategic Improvement Programmes								
CP0132	Smarter Working	F Serajian	3,081	3,038	43				
CP0191	Industrial Portfolio Improvement Works	F Serajian	9,767	6,322	3,445				
	Strategic Economic Development								
CP0142	City Deal	V Taylor	5,000	290	1,393	3,317			
TOTAL CONTINUING PROJECTS			**72,674**	**29,676**	**25,253**	**15,711**	**2,034**		
	Projects Commencing 2015/16								
	Strategic Economic Development								
CP0235	Inward Investment	D Lewin	400		400				
CP0266	Vaux Phase 1	L Clark	25,412		1,592	12,915	10,905		
	Strategic Improvement Programmes								
CP0127	Strategic Land and Property Acquisition Provision	N Wood	4,000		500	3,500			
CP0221	Railway Station Public Realm	N Wood	750			500	250		
CP0238	Keel Line - Viewing Platform Feasibility Study	F Serajian	100		100				
CP0264	Public Realm - former Crowtree Road Leisure Centre	N Wood	1,500			1,500			
TOTAL PROJECTS COMMENCING 2015/16			**32,162**		**2,592**	**18,415**	**11,155**		
	Projects Commencing 2016/17								
	Strategic Economic Development								
CP0136	A19 Ultra Low Carbon Enterprise Zone	F Serajian	3,000				3,000		
CP0287	Investment Corridor Round 2	D Hattle	5,800			550	2,250	1,500	1,500
CP0288	Minster Quarter Access Road	N Wood	1,500				1,500		
CP0127	Strategic Land and Property Acquisition Provision	N Wood	15,400			7,900	7,500		
TOTAL PROJECTS COMMENCING 2016/17			**25,700**			**8,450**	**14,250**	**1,500**	**1,500**
TOTAL CAPITAL PROGRAMME			**130,536**	**29,676**	**27,845**	**42,576**	**27,439**	**1,500**	**1,500**

DEPUTY LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Continuing to provide and develop the infrastructure that supports the delivery of services and the Council's improvement priorities.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Digital Challenge – the completed roll out of superfast broadband across the city via the sub regional Digital Durham Programme.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Corporate Computing Model Phase 1 & 2 - Completion of final remedial actions in relation to the roll out of the virtual desk top across the Council.
- Electronic Document Management System - The introduction of work flow, version control, storage and classification of documents and records. This will reduce the reliance on paper documentation, improve the ability for employees to work from any location and improve Information Governance through the correct classification and control of documentation. The system will also support secure data exchange and collaboration between the Council and its partners.
- Network Upgrade - A rolling programme to upgrade the power back up systems (UPS) of essential network equipment. The UPS devices protect the Council's core network and telephony equipment from power outages and power surges.
- IT Developments - A programme of activities to improve underlying ICT infrastructure that will enable efficiencies within the Council to be achieved and help services to meet necessary budget reductions.
- Wider Network Upgrade - This relates to the migration of our Wide Area Network connections to Superfast Broadband technology.
- Edit Core Infrastructure – A programme of activities to improve underlying ICT infrastructure to schools.
- ICT Modernisation Programme – The technology partner procurement will deliver an alternative approach to ICT and will result in a series of proposals relating to the transformation of the existing ICT estate which will set out any essential areas of investment required to return the necessary improvements and cost savings.
- Revenue and Benefit System – to invest in customer self-service options in relation to Revenues and Benefits Services. This will enable residents and landlords to access information and request services / report changes via the Council's web-site resulting in greater convenience for customers and cost savings for the Council.

New Starts

- Refresh of Essential Core ICT Infrastructure - Investment in the refresh of network, security, connectivity and platform infrastructure is proposed to ensure the continued provision of essential digital / ICT solutions to assure the continued delivery of council services.

DEPUTY LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	12,437	9,756	1,360	1,321			
Projects Commencing 2015/16							
Projects Commencing 2016/17	2,000			1,000	1,000		
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**14,437**	**9,756**	**1,360**	**2,321**	**1,000**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Government Grants					
DfE - Basic Need Grant	95				
Total External Sources	**95**				
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	248	317			
Strategic Investment Plan Reserve	48	1,030	1,000		
Unutilised RCCO Reserve	45	112			
SAP Development Reserve	39				
Digital Challenge Reserve	494				
Modernisation Reserve	165	835			
Other Reserves	48				
Capital Receipts	178	27			
Total Internal Sources	**1,265**	**2,321**	**1,000**		
TOTAL FINANCING	**1,360**	**2,321**	**1,000**		

DEPUTY LEADER
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects								
CP0115	Digital Challenge	L St Louis	3,575	3,081	494				
CP0117	Revenue and Benefits system Phase 2	L St Louis	400	322	48	30			
CP0119	Automated Court Bundle	E Waugh	12		12				
CP0120	Corporate Computing Model	L St Louis	5,935	5,870	65				
CP0121	Network Upgrade	L St Louis	30	13	17				
CP0123	Electronic Document Management	L St Louis	500		165	335			
CP0180	Corporate Computing Model Phase 2	L St Louis	143	127	16				
CP0181	IT Developments	L St Louis	683	322	361				
CP0192	Wider Network Upgrade	L St Louis	135	1	134				
CP0218	Edit Core Infrastructure	L St Louis	68	20	48				
CP0261	ICT Modernisation Programme	L St Louis	956			956			
TOTAL CONTINUING PROJECTS			**12,437**	**9,756**	**1,360**	**1,321**			
	Projects Commencing 2016/17								
CP0286	Refresh of Essential Core ICT Infrastructure	L St Louis	2,000			1,000	1,000		
TOTAL PROJECTS COMMENCING 2016/17			**2,000**			**1,000**	**1,000**		
TOTAL CAPITAL PROGRAMME			**14,437**	**9,756**	**1,360**	**2,321**	**1,000**		

CABINET SECRETARY
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Managing the Council's asset disposal and acquisition a programme to stimulate regeneration and promote high quality development.
- Improving the public realm at key locations at City Centre and the seafront to increase footfall and spend.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Roker Pier and Lighthouse – The preservation and enhancement of this historic resource will generate greater footfall at the Seafront.
- Seafront – Marine Walk Masterplan Phase 2 - Continue the re-establishment of Roker / Seaburn as a destination through the provision of quality public realm in line with the Marine Walk Masterplan.
- Old North Pier Technical Investigation – The technical survey has been completed and the Old North Pier is safely fenced off.
- Provisions for Economic Development provides financial assistance and support in the form of grants for businesses to start up or grow through supporting investment in premises and equipment, linked to job creation. Statistics for the last full year of the programme (2014/15) have demonstrated that support was offered to 13 Companies, 6 of who were new businesses and 6 of who were existing. It was projected that this would create 11 new jobs. There were a further 12 grants made to companies in prior years. This financial support allows companies to set up or grow and also provides private sector leverage match funding.
- The Property Planned Capital Maintenance programme has seen investment in more major building improvements including renewal of windows, external joinery items and redecoration of Derwent Hill Outdoor Centre, renewal of the roof structure at Green Street Arcade, renewal of the boilers at the Washington Arts Centre, renewal of fencing at Doorstep Green, replacement of the lakeside jetties at Herrington Park, refurbishment of the Civic Centre transformers, renewal of the emergency lighting boilers and the uninterrupted power supply at the Central Museum, replacement fire alarm system at Leechmere, renewal of the hot water system at the Northern Area Playing Fields and additional footpath resurfacing at Houghton and Mere Knolls Cemeteries.
- RGF4 Business Grants – Through Regional Growth Fund round 4 external funding was secured for a limited time period only. The scheme ran from 3 April 2014 to 30 September 2015 and funding was awarded to Sunderland and South Tyneside Councils under the City Deal. The purpose of the Scheme was to support job creation and leveraging private sector investment. Sunderland City Council had a target of grant payments to be made which all has been paid helping to support in the creation of circa 190 new jobs in the area.
- Port Infrastructure - land remediation works and the creation of additional reinforced laydown areas have been created at Greenwell and Jubilee Quays. This package of works, match funded from the European Regional Development Fund (ERDF), provides the Port with increased commercially usable space and the ability to handle heavy load and out of gauge cargo and equipment.

KEY MEDIUM TERM PRIORITIES

- To act upon the outcomes of a comprehensive review of the Council's land and buildings assets undertaken in 2015/16, particularly the release of appropriate assets for public and private sector development.
- The Property Planned Maintenance programme is developed from condition survey data of the Council property portfolio and is designed to undertake works to the portfolio to prevent a catastrophic failure of a component and to replace items before they cause disruption to service delivery.
- Continued the regeneration of the seafront at Roker and Seaburn.
- Port infrastructure investment over recent years, has allowed the Port to diversify its commercial services into new market areas. The Port Board will consider future investment requirements in line with market demand and also the securing of longer term contracts, which will also will include securing inward investment opportunities on the Port estate.

- It has recently been confirmed that land at Port's Eastern Quay will be included as part of the North East's round 2 Enterprise Zone. The infrastructure requirements for the site are currently being reviewed to inform a programme of works.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- Financial assistance is awarded on a basis whereby 100% of the capital investment has to be evidenced in order to claim up to 50% of the eligible costs. This leverages private sector investment on each grant. The grant is linked to job creation and the cost per job ratios which are used are known to be excellent value for money (the RGF4 business grants scheme has similar job costs and was externally evaluated as being excellent value for money).
- Investment in the property portfolio is essential to maintain the Council's assets and to protect the investment the Council has already made. Investment also ensures that the property meets its statutory requirements, protects the reputation of the Council and delivers buildings that are fit for purpose and attractive to visit and occupy.
- Identifying and maximizing external match funding opportunities where applicable.
- As part of the continued effort to sustain the improvement of the Port of Sunderland's trading position, investment in both infrastructure and equipment will continue to improve operational efficiencies, reduce plant and equipment hire costs and provide the necessary resources to enable the Port to better respond to spot market opportunities and those for the longer term.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD
Ongoing Commitments

- The Property Planned Capital Maintenance programme includes works to undertake the renewal of the Cap to Fulwell Mill, renew the emergency lighting system at Parsons Depot, refurbish Monkwearmouth railway bridge with the co-operation of network rail, undertake initial repairs to a property roof at Mercantile Road, external decoration to the conference centre at Derwent Hill and replace the emergency lighting system at West Branch Library.
- 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.
- Old Sunderland Townscape Heritage Initiative – This grant scheme is nearing completion, with the majority of restoration projects now complete.
- Roker Pier and Lighthouse – The lighthouse restoration works are largely complete. The new tunnel entrance will be constructed in 2016 allowing the tunnel and lighthouse to be opened up as a visitor attraction. The attraction will be managed by volunteers.
- Seafront – Marine Walk Masterplan Phase 3 – Design work for a new toilet block, carriageway modifications and further public realm works is nearing completion. Works will be undertaken in 2016.
- Seafront Lighthouses – A structural survey has been completed on Seaburn Lighthouse to inform the detail of the restoration works. A contractor will now be appointed to deliver these works in 2016. New railings and the restoration of railings on Roker Pier will take place in 2016.
- Seafront – CCF Round 3 – Detailed designs have been completed for infrastructure works to Cliffe Park and Recreation Park. The business support package and programme of events will continue to be delivered until the end of 2016.
- Provisions for Economic Developments – Grant support will continue to be provided for capital investment to new and growing companies within Sunderland along similar criteria to that which is currently provided. This is separate to any external funding which may be able to be secured.
- Port Forklift Trucks and Safety Boats – Additional forklift trucks are to be purchased on an invest-to-save basis. In addition safety boat vessels have been acquired to support the delivery of Port marine services to the New Wear Crossing project.
- Port Infrastructure – storage shed lighting improvements have been carried out and capital maintenance issues addressed throughout the Port to ensure a productive, health and safety compliant estate is maintained.
- Port Capital Equipment – plant & equipment purchase have been made on an invest to save basis, these include heavy load forklift trucks, tug master tractor units and loading shovels to mitigate hire charges and address availability issues. The purchase of an essential pilot cutter has also been necessary to replace the existing vessel which was at the end of its useful economic life.
- St Peters Public Realm – The phase one landscape improvements were complete in 2015. A second phase of improvements in 2016 will deliver highway improvements to improve the existing pedestrian links to the University and generally improve the physical environment.

CABINET SECRETARY
CAPITAL PROGRAMME

New Starts

- Port Infrastructure – Investment in Infrastructure, plant and equipment, is required in order 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. Further investment requirements which will improve the Port's operation, support inward investment and commercial opportunities will be considered on an invest to save basis and external funding leveraged wherever possible.
- Seafront toilet refurbishment – It is proposed to fund the completion of a rolling programme of seafront toilet refurbishment, including improvements to the tram shelter toilets and Marine Walk north toilet block. This will improve facilities at the seafront for visitors.
- Property Planned Capital Maintenance – To help prevent the on-going degradation of the property portfolio it is proposed that additional resources are provided to address more urgent investment requirements, including health and safety matters as they arise.
- Energy Efficiency – Northumbrian Water Smart Metering Programme – Delivery of a partnership project with Northumbrian Water using new technology to remotely monitor and manage utilities consumption on an invest to save basis.
- City Centre Way Finding – The proposal would enable the creation and implementation of a standard and future proofed system for pedestrian navigation around the city centre which will be adopted by the Council and its partners. This will improve the appearance and visitor experience.
- Investment Corridor – MAC Trust Contribution – A contribution to the MAC Trust for the development of the former Dun Cow fire station to create a performing arts centre including auditorium is proposed. This is a contributor to the regeneration of the city centre. Grant funding is also being provided to the MAC Trust from the Heritage Lottery Fund and the Arts Council.

CABINET SECRETARY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	25,063	16,561	6,383	739	690	690	
Projects Commencing 2015/16	3,743		2,582	761	200	200	
Projects Commencing 2016/17	3,107			1,927	580	300	300
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**31,913**	**16,561**	**8,965**	**3,427**	**1,470**	**1,190**	**300**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	4,731	1,143	150		
Government Grants					
Regional Growth Fund RGF	296				
BIG Coastal Communities Fund	160	161			
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	583	5			
ERDF	450				
Other External Funding					
Capital Contributions General		30			
Total External Sources	**6,220**	**1,339**	**150**		
FROM INTERNAL SOURCES					
Revenue Contributions					
Strategic Initiative Budget	27				
Reserves					
Strategic Investment Reserve		855	430	300	300
Unutilised RCCO Reserve	428				
Rainton Bridge Reserve		193			
New Homes Bonus Reserve	74				
Port Reserve	280				
Capital Receipts	1,936	1,040	890	890	
Total Internal Sources	**2,745**	**2,088**	**1,320**	**1,190**	**300**
TOTAL FINANCING	**8,965**	**3,427**	**1,470**	**1,190**	**300**

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects								
	Port								
CP0145	Port Infrastructure	M Hunt	5,886	4,901	985				
	Planning and Land Use								
CP0096	Old Sunderland Townscape Heritage Initiative	N Wood	2,327	2,210	117				
	Seafront								
CP0111	Roker Pier and Lighthouse	N Wood	1,948	1,359	540	49			
CP0100	Seafront - Marine Walk Masterplan Ph2	N Wood	4,397	3,652	745				
CP0144	Old North Pier Technical Investigation	M Jackson	150	68	82				
	Economic Development Grants								
CP0103	Provision for Economic Development	T Hurst	5,002	1,468	1,464	690	690	690	
CP0244	RGF4 Business Grants	T Hurst	367	71	296				
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	F Serajian	3,086	2,207	879				
CP0107	Low Water Corrosion / Riverside Repairs	M Jackson	200		200				
	Regeneration Projects								
CP0051	St Peter's Public Realm (Wearmouth Jarrow)	N Wood	1,700	625	1,075				
TOTAL CONTINUING PROJECTS			**25,063**	**16,561**	**6,383**	**739**	**690**	**690**	
	Projects Commencing 2015/16								
	Port								
CP0234	Port Infrastructure	M Hunt	300		300				
CP0250	Port Capital Equipment	M Hunt	420		420				
CP0265	Port Forklift Truck	M Hunt	200		200				
CP0267	Port Safety Boats	M Hunt	75		75				
	Seafront								
CP0222	Seafront - Marine Walk Masterplan Ph3	N Wood	650		500	150			
CP0223	Seafront Lighthouses	N Wood	500		500				
CP0245	Seafront - CCF Round 3	N Wood	471		60	411			
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	F Serajian	1,127		527	200	200	200	
TOTAL PROJECTS COMMENCING 2015/16			**3,743**		**2,582**	**761**	**200**	**200**	

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.15	Estimated Payments				
					2015/16	2016/17	2017/18	2018/19	2019/20
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2016/17								
	Port								
CP0145	Port Infrastructure	M Hunt	1,000			250	250	250	250
	Seafront								
CP0274	Seafront Toilet Refurbishment	N Wood	300			150	150		
	Management of Council Land and Buildings								
CP0106	Planned Property Capital Maintenance	F Serajian	877			747	130		
CP0272	Energy Efficiency - Northumbrian Water Smart Metering Programme	L Clark	130			130			
	Regeneration Projects								
CP0273	City Centre Way Finding	N Wood	200			50	50	50	50
CP0275	Investment Corridors - MAC Trust Contribution	I Fairlamb	600			600			
TOTAL PROJECTS COMMENCING 2016/17			**3,107**			**1,927**	**580**	**300**	**300**
TOTAL CAPITAL PROGRAMME			**31,913**	**16,561**	**8,965**	**3,427**	**1,470**	**1,190**	**300**

CHILDRENS SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Ensuring the provision of effective and safe school settings and ensuring sufficient school places are locally available to meet the requirements of the population

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Ongoing delivery of the Asset Management Strategy with capital works around roofing, window replacement, heating improvements, fire detection works, water hygiene improvements and health and safety issues addressed in a number of nursery, primary, secondary and special schools across the city.
- Increased numbers of primary pupil places capacity in North Sunderland following works at Castletown Primary School.
- Increased capacity for children on the Autistic Spectrum through the expansion of Columbia Grange Primary school and increased access to provision for children with physical disabilities through enabling and access works at Oxclose Primary Academy.
- Improvement to existing facilities to provide school meals at Mill Hill Primary School and Castletown Primary School and the installation of production kitchens at Grindon Infant School and Bernard Gilpin Primary School.
- Expansion of the New Build at Shiney Row Primary School from the planned 315 place school to a 420 place school to meet projected demand from current and future housing developments in the Coalfields area.
- Increased teaching area at South Hylton Primary to meet the needs of pupils currently accessing provision at the school.

KEY MEDIUM TERM PRIORITIES

- To continue to address the most pressing condition priorities, health and safety works and major capitalised repair works within the City's maintained Primary, Secondary and Special schools and maintained nurseries (as identified in the Children's Services and / or Capita Symonds Condition Surveys) as well as responding to any emerging priorities.
- To address pressure on school places across the city where existing places are identified as insufficient to meet demands.
- To ensure sufficient education capital contributions are sought from developments where the number of school aged children from new and proposed housing developments is projected to exceed the supply of local, available school places.
- To support schools in their use of the reducing level of devolved formula capital allocations to address the priorities identified in their own asset management plans.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Continuation of investment in local maintained and private daycare and nursery facilities in order to meet increased demand for nursery places from disadvantaged two year olds.
- Hetton School, Marlborough, Shiney Row Primary School and Hylton Castle will continue to expend remaining setting up allowances as they move in to their new builds. All schools are projected to be completed and occupied by September 2016.
- Kitchen Works at JFK Primary School to be completed resulting in the installation of a production kitchen on the school site.
- The expansion of Our Lady Queen of Peace is projected to be completed during October 2016. This will result in an additional 105 school places in the Coalfields area. Condition works are also required on the existing build to facilitate the expansion.

CHILDRENS SERVICES
CAPITAL PROGRAMME

- Continuation of capital works to meet asset management works identified in 2015/2016.
- Children's and Adults Social Care Case Management System -To replace the current system in place being the V.270 System in order to support the transformation of services. A recent Ofsted inspection highlighted that the current system is overly complex and non-intuitive. The new system will extend access to the Social Care Case Management Tool to key partners in the City including our NHS Colleagues. A system which provides an Out of box' functionality that supports all national regulatory and statutory functions associated with Adults and Children's Social Care and supports the national movement towards integrated working with partners such as the NHS and local CCG's with the potential to provide a separate case management system for Children's and Adults.

New Starts

- New Capital works for 16/17 to continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works across the City's maintained nursery, primary, secondary and special schools.
- Capital investment at Rickleton Primary – A programme to redevelop existing open teaching space at Rickleton Primary School has been identified following the completion of feasibility work. This will focus on the redevelopment of the Year 5 and 6 areas of the school and will result in increased class space and greater circulation. It is to be jointly funded with the Council with the School supporting the Project financially from their reserves.
- Social Care Mobile Technology – Purchase of tablets to support priorities identified in the Children's Safeguarding Improvement Plan.
- Children Social Care Homes - Acquisition and subsequent refurbishment of the children's social care homes would enable the Council to have greater strategic management control. The proposal would enable revenue savings of £90,000 per annum in rent charges to be delivered.
- Sunderland Youth Zone Contribution - A contribution of up to £3m towards the provision of a youth zone in an accessible city centre location (Holmeside) is proposed. The project is to be delivered by Onside.

CHILDRENS SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	9,835	4,342	3,167	2,326			
Projects Commencing 2015/16	3,800	46	1,863	1,414	477		
Projects Commencing 2016/17	6,597			4,478	2,119		
Projects Commencing 2017/18	2,264				2,264		
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**22,496**	**4,388**	**5,030**	**8,218**	**4,860**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing		3,600			
Government Grants					
DfE - School's Condition Grant	2,382	2,067	3,593		
DfE - Basic Need Grant	1,182	484	789		
DfE - SF Schools DFC Grant	872	931	478		
DfE - 2 Year Old Offer	137	186			
DfE - Short Breaks	29				
Universal Free School Meals	86				
Other External Funding					
Schools Governors Contribution		100			
Total External Sources	**4,688**	**7,368**	**4,860**		
FROM INTERNAL SOURCES					
Reserves					
Unutilised RCCO Reserve	6				
Working Neighbourhoods Reserve		100			
S106 Reserve	336				
Capital Receipts		750			
Total Internal Sources	**342**	**850**			
TOTAL FINANCING	**5,030**	**8,218**	**4,860**		

CHILDRENS SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects								
	DFC								
CP0085	Schools Devolved Capital	B Scanlon	4,118	3,252	866				
	Asset Management Projects								
	Major Asset management Projects								
CP0252	Our Lady Queen of The Peace - New Extensions plus External Works	B Scanlon	1,256	13	587	656			
	PSBP Asset Management Projects								
CP0259	Hetton School - Health & Safety Works	B Scanlon	84	62	7	15			
CP0259	Hylton Castle Primary - Health & Safety Works	B Scanlon	34	23	5	6			
CP0259	Hylton Castle Primary - Setting Up Allowance	B Scanlon	175		175				
CP0259	Shiney Row Primary - Setting Up Allowance	B Scanlon	175			175			
CP0259	Marlborough Primary - Setting Up Allowance	B Scanlon	175	111		64			
	Other Schools Asset Management Projects								
CP0212	School AMP - Primary	B Scanlon	690		690				
CP0211	School AMP - Nursery	B Scanlon	32		32				
CP0213	School AMP - Secondary	B Scanlon	107		107				
CP0258	Water Hygiene	B Scanlon	25		25				
CP0088	Schools Minor Works	B Scanlon	10		10				
CP0205	Access Equipment	B Scanlon	25		25				
CP0204	Asbestos Removal	B Scanlon	50		25	25			
CP0272	School's Condition Works	B Scanlon	944		21	923			
CP0260	School Asset Management Programmes - unallocated - Continuing Allocation	B Scanlon	6			6			
	Other Children Services Projects								
CP0089	Capita One V4 Upgrade	B Scanlon	185	179	6				
CP0092	Short Breaks Provision for Disabled Children	L Sahota	100	71	29				
CP0154	Two Year Old Offer	B Scanlon	597	274	137	186			
CP0190	Universal Infant Free School Meals	B Scanlon	1,047	357	420	270			
TOTAL CONTINUING PROJECTS			**9,835**	**4,342**	**3,167**	**2,326**			
	Projects Commencing 2015/16								
	DFC								
CP0085	Schools Devolved Capital	B Scanlon	478		25	453			
	Asset Management Projects								
CP0272	School's Condition Works	B Scanlon	271		194	77			
CP0260	School Asset Management Programmes - unallocated - 2015/2016 Allocation	B Scanlon	479			2	477		

CHILDRENS SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.15	Estimated Payments				
					2015/16	2016/17	2017/18	2018/19	2019/20
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Major Asset Management Projects								
CP0251	Columbia Grange School - New Extensions Plus External Works	B Scanlon	500	23	477				
CP0253	Castletown Primary - Internal Alterations & Improvements	B Scanlon	300	5	295				
CP0254	Grange Park Primary - Renew Boiler Plant	B Scanlon	103		103				
CP0255	Mill Hill Kitchen - Primary Gas Ventilation Improvements	B Scanlon	175		175				
CP0256	Mill Hill Primary - Window and Door Replacement	B Scanlon	176		176				
CP0257	South Hylton Primary - Provide New Teaching Area	B Scanlon	195	10	185				
	PSBP Asset Management Projects								
CP0259	Hetton School - Setting Up Allowance	B Scanlon	325		200	125			
CP0259	Shiney Row Primary - Health & Safety Works	B Scanlon	17	8	2	7			
	Other Schools Asset Management Projects								
CP0212	School AMP - Primary	B Scanlon	19		19				
CP0211	School AMP - Nursery	B Scanlon	5		5				
CP0213	School AMP - Secondary	B Scanlon	7		7				
	Social Care								
CP0297	Children's and Adults Social Care Case Management System	N Revely	750			750			
TOTAL PROJECTS COMMENCING 2015/16			**3,800**	**46**	**1,863**	**1,414**	**477**		
	Projects Commencing 2016/17								
	DFC								
CP0085	Schools Devolved Capital	B Scanlon	478			478			
	Asset Management Projects								
CP0260	School Asset Management Programmes - unallocated - 2016/2017 Allocation	B Scanlon	2,119				2,119		
CP0271	Rickleton Primary Redevelopment	B Scanlon	300			300			
	Social Care								
CP0291	Social Care Mobile Technology – Children's Services	F Brown	100			100			
CP0292	Children Social Care Homes	Dir Ch Svs	600			600			
	Youth Provision								
CP0293	Sunderland Youth Zone Contribution	N Revely	3,000			3,000			
TOTAL PROJECTS COMMENCING 2016/17			**6,597**			**4,478**	**2,119**		
	Projects Commencing 2017/18								
	Asset Management/DFC								
CP0260	School Asset Management Programmes - unallocated - 2017/2018 Allocation	B Scanlon	1,786				1,786		
CP0085	Schools Devolved Capital	B Scanlon	478				478		
TOTAL PROJECTS COMMENCING 2017/18			**2,264**				**2,264**		
TOTAL CAPITAL PROGRAMME			**22,496**	**4,388**	**5,030**	**8,218**	**4,860**		

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Hetton Downs Regeneration – the unadopted road at Fairy Street has been brought up to an adoptable standard. The design for the proposed northern access road has commenced and aims to be completed by March 2016.
- Cluster of Empty Homes – 45 empty homes have been refurbished and have been reoccupied through HCA and Council New Homes Bonus Funding.
- 611 Disabled Facilities Grants have been awarded in 2014/2015 allowing much needed adaptations to be carried out to properties allowing people to remain in their homes
- Low Carbon Energy Sunderland Social Housing Project – 92 properties have been improved, funded by ERDF, in conjunction with Gentoo.

KEY MEDIUM TERM PRIORITIES

- Improving the quality and choice of affordable accommodation, with emphasis being placed upon Council Renewal Areas.
- Continue to improve the housing stock in terms of decency for habitation in the private housing sector particularly targeting standards in the private rented sector in line with the findings of the private sector housing stock condition survey 2014.
- Bring empty properties back into use

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Hetton Downs Regeneration continues with the acquisition and demolition of properties at Maudlin Street and the design of the proposed northern access road.
- Hetton Downs (Fairy, Edward & Caroline Street) – the programme of financial assistance for Registered Providers for the acquisition and refurbishment of empty homes in Fairy, Edward and Caroline Streets in Hetton Downs has commenced and will continue in 2016/17.
- Cluster of Empty Homes – this scheme is almost complete with 41 homes refurbished. 4 will be completed in the first part of 2016/17.
- Empty Property Action Plan - Back on the Map has been provided funding to acquire and refurbish 5 empty properties to rehouse homeless families - four have been acquired to date with a fifth later this year and more next year (within budget). This is a loan repaid through rental income. Funding is provided for equity loans for owners of empty properties to refurbish them and bring them back into use. Properties brought back to use through use of Empty Dwelling Management Orders.

- Decent Homes linked to the Financial Assistance Policy – Loans continue to be made available to homeowners in Sunderland to enable their homes to meet the decent homes standard, which will achieve health and well-being outcomes. The loans repaid by homeowners are re-invested back in to the scheme so are available for other potential homeowners in the future.

New Starts

- Building Based Modernisation for Adult Social Care - Investment into Adult Social Care physical assets is proposed to support improvement in services to these clients including intermediate, day care and short break centres. This is linked to the implementation of the SCAS Business Plan and delivery of up to £5m reductions to the Council over the next 2 years.
- Social Care Mobile Technology – Adult Services – Purchase of tablets to support integrated working and would support meeting the requirements of the Care Act.
- Bishopwearmouth Horticultural Nursery – Infrastructure upgrades enable the service to move to an alternate delivery model and to support the sustainability of this service, including parking facilities, office and kitchen improvements.

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	11,473	9,199	1,654	620			
Projects Commencing 2015/16	4,018		3,943	75			
Projects Commencing 2016/17	1,488			1,488			
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**16,979**	**9,199**	**5,597**	**2,183**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Government Grants					
DoH - Grants General	309				
DoH - ICT Grant	8				
English Partnership / SHIP	214				
Government Grants General	4				
Better Care Fund Grant	2,660				
Grants from Other Public Bodies					
Homes and Communities Association (HCA)	647				
Other External Funding					
Capital Contributions General	130				
Total External Sources	**3,972**				
FROM INTERNAL SOURCES					
Revenue Contributions					
General Fund	270				
Directorate	300				
Reserves					
Strategic Investment Reserve		123			
Strategic Investment Plan Reserve		1,256			
Working Neighbourhoods Reserve		109			
New Homes Bonus Reserve	276	582			
S106 Reserve	271	113			
Other Reserves	508				
Total Internal Sources	**1,625**	**2,183**			
TOTAL FINANCING	**5,597**	**2,183**			

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.15	Estimated Payments				
					2015/16	2016/17	2017/18	2018/19	2019/20
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Adult Services								
CP0060	Swift Enhancements	G King	819	818	1				
CP0061	Managing Income	G King	22	13	9				
CP0063	Adults Information System	G King	50	44	6				
CP0079	Document Management System (Road Map)	G King	116	112	4				
CP0065	Private Sector Renewal Grants	A Caddick	300	292	8				
CP0066	Mobile Portal	G King	199	197	2				
CP0078	Minor Works (Improvements to Care and Support)	G King	154	142	12				
CP0241	Autism Innovation Grant	A Caddick	18	14	4				
	Housing Services								
CP0072	Hetton Downs Regeneration	N Wood	8,008	7,155	853				
CP0077	Empty Property Action Plan	N Wood	387	117	201	69			
CP0083	Cluster of Empty Homes	N Wood	461	178	283				
CP0215	Hetton Downs (Fairy, Edward & Caroline Streets)	N Wood	939	117	271	551			
TOTAL CONTINUING PROJECTS			**11,473**	**9,199**	**1,654**	**620**			
	Projects Commencing 2015/16								
CP0078	Minor Works (Improvements to Care and Support)	G King	270		270				
CP0080	Disabled Facilities Grants 2015/16	A Caddick	3,507		3,507				
CP0157	Re-enablement Services	G King	91		91				
CP0220	Decent Homes	A Caddick	150		75	75			
TOTAL PROJECTS COMMENCING 2015/16			**4,018**		**3,943**	**75**			
	Projects Commencing 2016/17								
CP0294	Building Based Modernisation for Adult Social Care	G King	1,265			1,265			
CP0295	Social Care Mobile Technology – Adult's Services	F Brown	100			100			
CP0296	Bishopwearmouth Horticultural Nursery	G King	123			123			
TOTAL PROJECTS COMMENCING 2016/17			**1,488**			**1,488**			
TOTAL CAPITAL PROGRAMME			**16,979**	**9,199**	**5,597**	**2,183**			

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Sourcing funding and establishing key partnerships to further develop the Council and city Active Sunderland approach and cultural offer to residents.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

Illuminations

- Seafront and City Centre Illuminations – The 2015 Illuminations far exceeded expectations in attracting over 350,000 people to the Seafront over its six weeks duration. On its launch date the Illuminations was ranked number one visitor attraction in the country by Visit England and brought an estimated additional £1.5m spend to the Seafront economy. Enhancements were made to City Centre Christmas lighting including new displays at Sunderland Minster and the projection of Christmas messages and images onto the Empire Fly Tower.

Other

- Leisure JV Investment – the leisure Joint venture commenced on June 1st 2015. Sports and Leisure Management Ltd. (everyone active) now manage and operate the Leisure Facilities on behalf of the Council. The investment is contributing towards capital developments and redevelopments at Sunderland Aquatic Centre, Raich Carter, Silksworth Tennis and Wellness Centre.
- Arts Centre Washington – Funded by Arts Council, England with a city council capital contribution, this funding has provided for improvements to Theatre including a much improved lighting and tracking system, replacement of flooring and seating and a new and much improved Box Office System. The temporary exhibition gallery has been refurbished and public toilets upgraded.
- Washington Leisure Centre - Phase one of the developments was completed on schedule in May 2015. Phase 2 (outdoor pitches, car park and footbridge) is due to be completed February 2016.
- The library Re-Design Scheme included structural improvement works carried out at the City Library, updated ICT provision in all libraries, the introduction of the e-book and e-audio book service and free public wi-fi access.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- Maximising external funding.
- Work with internal and external partners to improve community safety.
- Efficiencies will be achieved through improved procurement techniques and monitoring arrangements.
- Seafront Illuminations is working with Seafront communities of interest and other agencies to become self-sustaining in the medium term. It is exploring Invest to Save and wider income-generating opportunities which will generate income across the year and be of benefit to other major events such as Sunderland International Airshow and the Tall Ships Race.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Sunderland Illuminations (Seafront and City Centre) – planned investment in additional lighting, lighting features and attractions as well as related infrastructure will continue into 2016/17 in order to support expansion of the Sunderland Illuminations as it works towards financial sustainability. Council investment will also attract other inputs – financial and other - from public agencies and communities of interest along the Seafront.

Other

- Canny Space Project Contribution – Heritage Lottery Fund (HLF) Round One Funding secured. HLF Round Two bid currently in development for submission 2017
- Hylton Castle Redevelopment Phase1 Phase one now completed. Phase One funding supported the development of HLF round one key plans including a Conservation Plan, Business Plan, Marketing and Activity Plan, Interpretation Study and staffing costs to co-ordinate and submit a Round 2 Bid to HLF. A decision on the round 2 bid is expected early February2016.

New Starts

- Keel Square and Seafront Lighting - The commissioning of a lighting artist to design a colour scheme for the feature lights at Keel Square, Roker and Seaburn will maximise the benefits from the equipment.

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	12,610	9,909	2,401			300	
Projects Commencing 2015/16	3,128		2,783	345			
Projects Commencing 2016/17	30			30			
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**15,768**	**9,909**	**5,184**	**375**		**300**	

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	4,263				
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)	20				
Arts Council	258				
Other External Funding					
Capital Contributions General	5				
Total External Sources	**4,546**				
FROM INTERNAL SOURCES					
Reserves					
Strategic Investment Reserve	210	200			
Strategic Investment Plan Reserve	100	145			
Capital Priorities Reserve	158			300	
Working Neighbourhoods Reserve	170	30			
Total Internal Sources	**638**	**375**		**300**	
TOTAL FINANCING	**5,184**	**375**		**300**	

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.15	Estimated Payments				
					2015/16	2016/17	2017/18	2018/19	2019/20
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Sports Facilities								
CP0053	Washington Leisure Centre	F Brown	11,300	9,126	2,174				
	Culture and Tourism								
CP0158	Library Redesign	B Scanlon	500	471	29				
CP0176	Hylton Castle Redevelopment	A Caddick	165	130	35				
CP0200	Seafront Illuminations	P Spooner	170	162	8				
CP0209	City Centre Illuminations	P Spooner	170	20	150				
CP0199	Fulwell Acoustic Mirror	N Wood	5		5				
CP0219	Canny Space Project	A Caddick	300					300	
TOTAL CONTINUING PROJECTS			**12,610**	**9,909**	**2,401**			**300**	
	Projects Commencing 2015/16								
CP0236	Seafront and City Centre Christmas Illuminations	P Spooner	245		100	145			
CP0236	Illuminations	P Spooner	170		170				
CP0240	Leisure JV Investment	A Caddick	2,000		2,000				
CP0243	Arts Centre Washington	A Caddick	303		303				
CP0178	Leisure Facility	F Serajian	410		210	200			
TOTAL PROJECTS COMMENCING 2015/16			**3,128**		**2,783**	**345**			
	Projects Commencing 2016/17								
CP0290	Keel Square and Seafront Lighting	N Wood	30			30			
TOTAL PROJECTS COMMENCING 2016/17			**30**			**30**			
TOTAL CAPITAL PROGRAMME			**15,768**	**9,909**	**5,184**	**375**		**300**	

CITY SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Maintaining the existing highways network including its bridges and structures in a safe and serviceable condition.
- Securing the safe and efficient movement and appropriate access for goods and people using the city's highways.
- Securing improvements to existing highways and the construction of new highways.
- Maintaining and enhancing coastal and seafront structures.
- Collecting and managing household waste in a sustainable and efficient manner.
- Maintaining and improving the attractiveness of local environments.
- Developing and implementing a range of flood and drainage improvement measures to reduce localized flood risk

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

Transport:

- Bridge Maintenance – schemes designed for delivery including A1231 Stockton Road, Sedgeletch Bridge, Rainton Bridge and A1231 Pallion New Road / Trimdon Street.
- Highways Maintenance – Completion of the Highway Maintenance Programme which included nearly 100 road resurfacing and footway reconstruction schemes.
- Flood and Extreme Weather Mitigation - Implementation of a range of flood and drainage improvement measures to reduce localized flood risk. Initiation of a joint study with Northumbrian Water Ltd. to examine drainage and flood issues in the Washington area to develop flood mitigation schemes which will benefit residents, NWL and the Council.
- Cycleways – Completed the construction of 15km of new and improved infrastructure to improve access and connectivity in Washington and Coalfields Regeneration areas.
- Construction of Low Carbon Enterprise Zone Transport Infrastructure including upgrades of junctions at A19/A690, A19/A184, A19/1231, A19/1290, Cherry Blossom Way and Nissan Way completed, improving traffic flows and increasing capacity serving Nissan and the Enterprise Zone.
- The roundabout junction at the Southern end of the Wearmouth Bridge was improved and new intelligent traffic signal equipment fitted as part of the urban traffic management control system to reduce congestion in the City centre.
- Implementation of a pilot School 20mph zone to reduce risk of accidents involving vulnerable residents.

Coast Protection and Flood Defence:

- Completion of Whitley Bay to Ryhope Site Investigation Survey to form the basis of future coastal protection funding bids

Play Provision:

- Play area upgrades and refurbishment has been completed at the following play areas utilising S106 and area committee contributions:
  - Sunderland Adventure Centre (Silksworth),
  - St Matthews Playing Field (Silksworth),
  - Marley Potts (Southwick),
  - Shakespeare Street (Southwick)
  - Princess Ann Park Play Area (Washington) - new play area
  - Albany Park (to be completed by March 16)

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

CITY SERVICES
CAPITAL PROGRAMME

KEY MEDIUM TERM PRIORITIES

- Structural highway maintenance works to roads, footways and structures.
- Continue to support plans for the regeneration of the City Centre, River Corridor and Enterprise Zone and to support housing growth.
- Coast Protection Works to protect coastal assets.
- Development of the Sunderland Strategic Transport Corridor (SSTC) which will contribute to reducing congestion, improving quality of the environment, economic success and reducing social exclusion. The transport corridor will extend from the Port of Sunderland to the A19/A1231 including the New Wear Crossing.
- Development of a programme of flood defense and drainage measures in response to increased flooding incidents.
- Improve cycling provision across the city.
- An efficient and fit for purpose vehicle fleet to deliver front line services.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- SSTC Bridge Phase 2 – continued construction of the New Wear Crossing which is planned to be completed in Spring 2018.
- SSTC Phase 3 – progressing with design, site investigations and procurement of contract.
- Integrated Transport Schemes including: A690 Durham Rd/ Stoneygate, Community Parking Management Schemes (x3) (Phase 2 - Implementation), Community 20mph Zones (Phase 2 - Implementation), Grangetown Retail, Vehicle Activated Signs, Clevely Road - Traffic Calming, City centre Provision (Holmeside TRO Review), Houghton Town centre (TRO Review), Durham Road 50mph Speed Limit Reduction, Sunderland College (Holmeside), A1231/A182 AIP.
- Community 20mph Zones (Phase 3 - Development), School 20mph Zones (Phase 2 - Development), Vine Place/Park Lane pedestrian crossing, Durham Road/Grindon Lane, Community Parking Management Schemes (x3) (Phase 3 Development), Burdon Road/Park Rd, Allendale Rd, City Centre Signing, City Wide Signing, A182 RAP (Development of Proposals).
- Flood and Extreme Weather Mitigation – continue studies and works to mitigate the effect of extreme weather conditions such as the installation of new drainage systems, repairs to highways drainage networks, consolidation of unstable land and creating physical barriers for surface water to run off land.
- Highways Maintenance – Implement the Highway Maintenance Programme of road resurfacing and footway reconstruction schemes.
- Bridge Maintenance – delivery of A1231 Stockton Road, Sedgeletch Bridge, Rainton Bridge and A1231 Pallion New Road / Trimdon Street and A1231 west of A19 including Nissan Interchange.
- Coast Protection – delivery of Hendon Foreshore Barrier, Port Revetments Stone Hill Wall.
- City Cycle Permeability Scheme – delivering better cycling provision into Sunderland City Centre.
- North Bridge Street Two Way Traffic System – improving access to the Wearmouth Bridge and the City Centre.
- Footbridge Removal, Glebe Estate and associated pedestrian improvements.
- Installation of new on street parking meters to provide additional parking capacity and income.
- Safety Fencing Replacement – replacement of safety fences at priority locations identified, to ensure that public safety is protected.
- Herrington Park Infrastructure – improvements to roads and footpaths to increase resilience to weather and events.
- Park Improvements – A bid is being prepared for HLF funding for Roker Park, for completion in time for the Tall Ships in summer 2018.
- Ongoing capital replacement of vehicle fleet required to maintain future service provision.
- Replacement of split body recycling vehicles to continue the Council's existing service provision.
- Replacement horticultural equipment for all aged cutting equipment to increase reliability.
- Replacement of Garden Waste Collection vehicles to continue the Council's existing service provision.
- Replacement of the cremators at the Crematorium.
- Upgrading the equipment and physical appearance of the Crematorium.
- Introduction of In Cab GIS System for the refuse and recycling fleet to enable real time links with the CSN to improve service performance and efficiency.
- To replace open salt heap at Beach Street with new covered storage building which will improve quality of road salt and reduce the volume required during spreading.

- Replacement of approximately 23,000 residential lighting units to LED which will reduce the Council's future energy costs and also provide white–light that allows greater colour rendition, improving visibility and enhancing the sense of safety.

New Starts

- Highways Maintenance Asset Management – additional highways management works as identified in the Highways Asset Management Review to reduce deterioration of the strategic highways network including A1231 Sunderland Highway Reconstruction and Resurfacing between the Nissan Interchange and the A195 Interchange westbound. Reconstruction and resurfacing of the A1231 between the A195 and the Peel Industrial Estate eastbound.
- Port Enterprise Zone and SSTC5 – design of the proposals for infrastructure improvements to prepare the Port EZ for development including linkages to SSTC Phase 5 linking Wearmouth Bridge to the Port and new access arrangements for the Port.
- Flood and Coastal Projection programme – implementation of schemes majority funded via the Environment Agency including city wide culvert repairs, alleviating surface water flooding in Springwell Village and Houghton and Hetton Integrated Drainage Study.
- Investing in a mobile catering vehicle as part of plans to generate additional income through the catering element of Place services. Sales would be to staff and public at designated locations and venues, and also through providing a service at a range of local and regional events.
- Specialist Vehicle Replacement – capital purchase of cash in transit vehicles replacing existing leases saving c. £30k pa and replacement of bulky item collection vehicles which have reached the end of their operational life.
- Purchase of new trade waste bins to support the anticipated expansion of the trade waste service.
- Acquisition of equipment to shore up and secure graves ahead of interments which is required for the new operating model for Responsive Local Services.
- Introduce a risk management approach to repairing path defects in cemeteries and parks.
- Replace the parking charge machines at Sunniside car parks which have reached the end of their operational life.
- Comprehensive refurbishment of the lifts at St. Mary's car park which are currently unreliable.
- Play area upgrades and refurbishment will be taking place at a number of sites to be determined. Works will include the installation of new / replacement play equipment, new safety surfacing and where required ground works to address drainage and erosion issues.

CITY SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	201,654	34,625	48,598	44,313	41,318	25,000	7,800
Projects Commencing 2015/16	20,730		6,362	12,328	1,940	100	
Projects Commencing 2016/17	11,911			6,544	1,813	1,725	1,829
Projects Commencing 2017/18	4,577				4,577		
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**238,872**	**34,625**	**54,960**	**63,185**	**49,648**	**26,825**	**9,629**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM EXTERNAL SOURCES					
Loans					
Prudential Borrowing	9,420	10,896	19,568	2,250	2,300
Salix	900	3,520			
Government Grants					
DfT - Local Transport Plan (LTP)	4,912	4,637	4,545		
DfT - S31 Transport Grant	33,129	34,482	14,910		
DfT - Local Sustainable Transport Fund (LSTF)	392	408			
Regional Growth Fund (RGF)	1,549				
Local Pinch Point (LPP)	607				
Coast Protection	424	1,050	128		54
Government Grants General	30				
Local Growth Fund (LGF)		1,100	7,800	24,400	7,200
Grants from Other Public Bodies					
Lottery - Heritage Lottery Fund (HLF)		1,350	1,350		
Nexus LTP	36	32	32		
Total External Sources	**51,399**	**57,475**	**48,333**	**26,650**	**9,554**
FROM INTERNAL SOURCES					
Revenue Contributions					
Strategic Initiative Budget	89				
Directorate	5				
Reserves					
Strategic Investment Reserve	397	526	75	75	75
Strategic Investment Plan Reserve	294	972	1,140		
Unutilised RCCO Reserve	787	251			
Capital Priorities Reserve		709			
Stadium Park Transfer Reserve	1,152				
HCA Cycleways Reserve	9				
Working Neighbourhoods Reserve	314	1,472	100	100	
S106 Reserve	514				
Capital Receipts		1,780			
Total Internal Sources	**3,561**	**5,710**	**1,315**	**175**	**75**
TOTAL FINANCING	**54,960**	**63,185**	**49,648**	**26,825**	**9,629**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects								
	Major Highway Schemes								
CP0003	SSTC Ph2 (New Wear Bridge)	A Fellows	117,600	14,336	35,544	36,232	31,488		
CP0194	SSTC Ph3	L Clark	45,000	76	2,106	3,418	7,800	24,400	7,200
	Local Transport Plan								
CP0024	Highway Maintenance	M Jackson	13,326	10,061	865	600	600	600	600
CP0026	Integrated Transport	M Jackson	2,958	1,698	1,260				
CP0032	Upgrade of C2C Cycleway (HCA)	M Jackson	542	533	9				
CP0033	Coalfields Cycle Route	M Jackson	84	24	60				
CP0163	Houghton Cut Safety Works	M Jackson	30		30				
CP0025	Bridge Maintenance	M Jackson	500	55	445				
CP0187	Low Carbon Enterprise Zone Transport Infrastructure	L Clark	8,810	6,153	2,657				
CP0216	Sunderland Riverside, Stadium Park	L Clark	1,158	6	1,152				
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	2,007	415	1,592				
	Parks								
CP0037	Thompson Park - Former Park Keepers House	F Serajian	49	3	46				
CP0162	Herrington Park Infrastructure	M Speed	150		150				
CP0164	Parks Improvement	L Clark	3,000	34	36	1,500	1,430		
	Street Scene								
CP0009	Private Streetworks	M Jackson	50		50				
CP0161	Improvements to the Crematorium	C Curtis	140	11	41	88			
CP0185	Fleet Replacement	M Speed	1,559	522	632	405			
CP0186	Replacement of Cremators	C Curtis	900		100	800			
	Coast Protection								
CP0038	South Bents to Seaburn (SF1)	M Jackson	520	498	22				
CP0039	Strategic Frontage 3	M Jackson	2,820		1,550	1,270			
CP0195	Whit Bay to Ryhope Site Investigation Survey	M Jackson	12	1	11				
	Play Provision								
	Play and Urban Games Strategy :								
CP0189	Play Provision Schemes	A Caddick	439	199	240				
TOTAL CONTINUING PROJECTS			**201,654**	**34,625**	**48,598**	**44,313**	**41,318**	**25,000**	**7,800**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Projects Commencing 2015/16								
	Local Transport Plan								
CP0024	Highway Maintenance	M Jackson	2,150		2,150				
CP0026	Integrated Transport	M Jackson	1,432		1,432				
CP0025	Bridge Maintenance	M Jackson	483		483				
CP0226	North Bridge Street Two Way Traffic System	M Jackson	4,000		150	3,150	700		
CP0228	Footbridge Removal, Glebe Estate	M Jackson	250		250				
CP0232	Parking Meters	M Jackson	125		125				
CP0237	Safety Fencing Replacement	M Jackson	400		100	100	100	100	
CP0248	City Centre Cycle Permeability Scheme	M Jackson	880		392	488			
CP0249	Southern Growth Area - Highways Design	M Jackson	50		50				
	Street Scene								
CP0227	New Salt Barn	M Speed	1,500			1,500			
CP0229	Recycling Fleet Replacement	M Speed	2,090			950	1,140		
CP0230	Garden Waste Collection Fleet Replacement	M Speed	840			840			
CP0231	Replacement Horticultural Equipment	M Speed	200		200				
CP0233	In Cab GIS Information System	M Speed	130		130				
CP0239	Street Lighting - Energy Saving Project	M Jackson	6,200		900	5,300			
TOTAL PROJECTS COMMENCING 2015/16			**20,730**		**6,362**	**12,328**	**1,940**	**100**	
	Projects Commencing 2016/17								
	Local Transport Plan								
CP0024	Highway Maintenance	M Jackson	2,166			2,166			
CP0025	Bridge Maintenance	M Jackson	486			486			
CP0026	Integrated Transport	M Jackson	1,187			1,187			
CP0279	Highways Maintenance Asset Management	M Jackson	6,000			1,500	1,500	1,500	1,500
CP0280	Car Parks	M Jackson	95			95			
CP0281	Port Enterprise Zone and SSTC5 Design	M Jackson	250			250			
	Flood & Coast Risk Management								
CP0160	Flood and Coastal Protection Programme	M Jackson	1,012			370	238	150	254
	Street Scene								
CP0282	Trade Waste Bins	M Jackson	20			20			
CP0283	Mobile Catering Facility	M Jackson	45			45			
CP0284	Specialist Vehicle Replacement – transit vehicles	M Jackson	90			90			
CP0285	Parks & Cemetery Infrastructure - Paths	M Jackson	300			75	75	75	75
CP0276	Mobile Vehicle Lifts	M Jackson	20			20			
CP0277	Bereavement Services Equipment	M Jackson	80			80			
CP0278	Specialist Vehicle Replacement – collection vehicles	M Jackson	160			160			
TOTAL PROJECTS COMMENCING 2016/17			**11,911**			**6,544**	**1,813**	**1,725**	**1,829**
	Projects Commencing 2017/18								
	Local Transport Plan								
CP0024	Highway Maintenance	M Jackson	2,939				2,939		
CP0026	Integrated Transport	M Jackson	1,638				1,638		
TOTAL PROJECTS COMMENCING 2017/18			**4,577**				**4,577**		
TOTAL CAPITAL PROGRAMME			**238,872**	**34,625**	**54,960**	**63,185**	**49,648**	**26,825**	**9,629**

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

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

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MAIN BLOCK							
Continuing Projects	3,649	2,349	1,300				
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
Projects Commencing 2018/19							
Projects Commencing 2019/20							
TOTAL CAPITAL EXPENDITURE	**3,649**	**2,349**	**1,300**				

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
FROM INTERNAL SOURCES					
Reserves					
Unutilised RCCO Reserve	61				
Capital Receipts	1,239				
Total Internal Sources	**1,300**				
TOTAL FINANCING	**1,300**				

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

Project Ref.No.	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.15 £'000	Estimated Payments 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
	Continuing Projects Customer Care								
CP0057	Customer Service Network Platform	L St Louis	950	889	61				
CP0193	Intelligence Hub	L St Louis	2,699	1,460	1,239				
TOTAL CONTINUING PROJECTS			**3,649**	**2,349**	**1,300**				
TOTAL CAPITAL PROGRAMME			**3,649**	**2,349**	**1,300**				

Appendix 4

Prudential and Treasury Indicators 2016/2017 to 2018/2019

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.

In addition, the Government has introduced flexibility around the use of capital receipts to support transformation costs arising from implementing the Councils savings programme for 2016/2017 and 2017/2018. 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 and where they impact on the Council's Prudential and Treasury Indicators this is detailed against the specific Prudential indicators.

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

P1 Actual capital expenditure incurred in 2014/2015 was £71.477 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Estimated Capital Expenditure	113,576	122,285	88,937	29,815
Efficiency Transformation Projects	0	8,830	0	0
Total Capital Expenditure	**113,576**	**131,115**	**88,937**	**29,815**

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

P2 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/2015 are:

Ratio of financing costs to net revenue stream

2014/2015 Actual	2015/2016 Estimate	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate
9.13%	• 7.60%	9.33%	11.88%	12.68%

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 a decrease in the anticipated ratios of financing costs to net revenue stream in 2015/2016 due to changes being proposed to the Council's Minimum Revenue Provision policy in this report. This is followed by increases to the ratio in future years as a result of forecast reductions in future years Government Funding allocations and additional planned prudential borrowing for strategic priorities approved in the capital programme.

The 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 2015 are:

Capital Financing Requirement

31/03/15 £000 Actual	31/03/16 £000 Estimate	31/03/17 £000 Estimate	31/03/18 £000 Estimate	31/03/19 £000 Estimate
359,748	352,346	412,790	462,684	453,953

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 £90.735 million of such schemes included in its Capital Financing Requirement at 31st March 2015.

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 2014/2015, 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 2016/2017.

P5 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt (gross of investments) for the next three financial years. These limits must separately identify borrowing from other long-term liabilities such as PFI schemes and finance leases. The Council is asked to approve these limits and to delegate authority to the Director of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for the authority. Any such changes made will be reported to Cabinet and the Council at the next available meeting.

	Authorised Limit for External Debt			
	2015/2016 £000	**2016/2017 £000**	**2017/2018 £000**	**2018/2019 £000**
Borrowing	426.749	453,349	457,321	458,705
Other long term liabilities	89,659	88,553	84,581	80,338
Total	**516.408**	**541,902**	**541,902**	**539,043**

The Director of Finance confirms that the above authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Director of Finance also confirms that they are based on the estimate of most likely, prudent, but not worst case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements and refinancing of all internal borrowing. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

The Council also undertakes investment and borrowing on behalf of external bodies such as Tyne and Wear Fire and Rescue Authority. Treasury Management undertaken on behalf of other authorities is included in the Council's borrowing limits, however it is excluded when considering financing costs and when calculating net borrowing for the Council. A specific element of risk has also been taken into account for these bodies. The capital expenditure and borrowing of companies where the Council has an interest such as Siglion, Sunderland Care and Support Ltd, and Sunderland Live Ltd is not included within the Council's prudential indicators, however regard to the financial commitments and obligations to those bodies is taken into account when deciding whether borrowing is affordable.

In taking its decisions on the Revenue Budget and Capital Programme for 2016/2017, the Council is asked to note that the authorised limit determined for 2016/2017 (see P5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

P6 The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit, but reflects directly the estimate of the most likely, prudent but not worst case scenario level, without the additional headroom included within the authorised limit to allow for example for unusual cash flow movements. It equates to the projected maximum external debt and represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also requested to delegate authority to the Director of Finance, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, similar to the authorised limit set out in P5.

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

	Operational Boundary for External Debt			
	2015/2016 £000	**2016/2017 £000**	**2017/2018 £000**	**2018/2019 £000**
Borrowing	332,537	370,400	374,372	378,321
Other long term liabilities	89,659	88,553	84.581	80,338
Total	**422,196**	**458,953**	**458,953**	**458,659**

P7 The Council's actual external debt at 31st March 2015 was £339.943 million and was made up of actual borrowing of £249.208 million and actual other long term liabilities of £90.735 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 estimated cost / (saving) of the incremental impact of new capital decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

	For Band D Council Tax		
	2016/2017	**2017/2018**	**2018/2019**
Capital Programme Projects	£3.74	£18.90	£28.87
Efficiency Transformation Projects	(£274.01)	(£437.51)	(£437.51)
Total Band D Impact	**(£270.27)**	**(£418.61)**	**(£408.64)**

The estimates show the net revenue effect of all capital expenditure from all schemes commencing in 2016/2017 and the following two financial years.

These are forward estimates that the Council is not committed to. They are based on the existing commitments, current plans and the capital plans detailed in this report. The cumulative effect of full year debt charges for all projects will be a saving of (£404.63) in 2019/2020. There are no known significant variations beyond the above timeframe that would result from past events and decisions or the proposals in the budget report.

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

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

(a) capital expenditure plans are affordable;

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

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

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

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

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

(f) local strategic planning;

(g) local asset management planning;

(h) 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 2016/2017 to 2018/2019

P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £330 million in 2016/2017, £320 million in 2017/2018 and £320 million in 2018/2019.

P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £48 million in 2016/2017, £56 million in 2017/2018 and £54 million in 2018/2019.

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

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

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

P13 A maximum maturity limit of £75 million is set for each financial year (2016/2017, 2017/2018 and 2018/2019) for long-term investments (those over 364 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 type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 7).

At present the Council has £21.414m of long-term investments. This is £16.400m for the value of share capital held in NIAL Holdings PLC (a 9.62% share), a £5.000m equity investment in Siglion (a 50% share) and the Council also holds £0.014m in shares and unit trusts.

Revised Minimum Revenue Provision Policy Statement 2015/2016 and Minimum Revenue Provision Policy Statement 2016/2017

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 2007/2008 onwards the statutory requirement is simply for local authorities to make a prudent level of provision and the Department for Communities and Local Government (DCLG) 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.

Local authorities have significant discretion in determining the level of MRP which they consider to be prudent and a review of the Council's MRP policy has identified changes to the way in which MRP is calculated which will reduce the pressure on its revenue budget but still ensure that a prudent level of provision is set aside. This document revises and replaces the original MRP policy for 2015/2016 which was approved by full Council in March 2015 and sets out the MRP policy for 2016/2017.

1.2 The statutory guidance issued by the DCLG considers the broad aim of a prudent MRP policy as being "to ensure that the debt is repaid over a period of time that is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant."

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

- Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008.

- Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%. 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 DCLG 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 has previously used Option 1 (the Regulatory Method) for government supported borrowing. This is a continuation of the method currently used by the Council (using regulations 28 and 29 of the Capital Finance Regulations and the Local Government Act 2003) where MRP is calculated with regard to the ‘credit ceiling’ of the authority. This takes into account all loan advances and repayments through the Council’s consolidated advances and borrowing pool with MRP being calculated at 4% of the opening ‘credit ceiling’ balance.

It is proposed to change the method of calculating MRP on government supported borrowing 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 “reasonably 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 extends 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 is calculated using an annuity method rather than the previous 4% reducing balance method for supported borrowing and the previous equal instalments method for unsupported borrowing. 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 (3.51%). 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 10 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 to be fairer than the methods previously used.

The change to 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 as the amount of MRP applied each year is lower than current policy. The consequence of debt being repaid more slowly will be that the Council incurs a higher interest cost than under the current policy (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 changes proposed is that the Council's Capital Financing requirement for supported borrowing will be eliminated more quickly in the longer term than under previous arrangements. The reducing balance method previously used leaves a balance remaining in perpetuity and there would still be a balance of £22.5m outstanding after 50 years whereas the proposed method will fully write down the CFR for supported borrowing to zero over the 50 years period. 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 following revised Minimum Revenue Provision Statement 2015/2016 and Minimum Revenue Provision Statement for 2016/2017:

a) For all government supported borrowing the Council will repay 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 Director of Finance 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.

e) Changes to the Council’s MRP policy will be made where the Director of Finance determines that such a revisions will reduce future years’ debt repayment requirements and provide value to the Council. This action, if used, would be reported to Cabinet accordingly.

Appendix 6

Treasury Management Policy Statement

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

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

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

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

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

  The basis of the agreed Borrowing Strategy is to:
  - continuously monitor prevailing interest rates and forecasts;
  - secure long-term funds to meet the Council's future borrowing requirement when market conditions are considered favourable;
  - use a benchmark financing rate of 4.00% for long term borrowing (i.e. all borrowing for a period of one year or more);
  - take advantage of debt rescheduling opportunities, as appropriate.

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

  The Council thus re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2016/2017 as it does every year.

Treasury Management Strategy Statement for 2016/2017

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 2016/2017 is set out below and is based upon the Director of Finance's views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Capita Asset Services.

1.2 The treasury management strategy covers:

A. Borrowing Policy and Strategy

- treasury limits for 2016/2017 to 2018/2019
- current treasury management position
- prudential and treasury management Indicators for 2016/2017 to 2018/2019
- prospects for interest rates
- the borrowing strategy
- the borrowing requirement 2016/2017
- policy on borrowing in advance of need
- debt rescheduling

B. Annual Investment Policy and Strategy

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

2. Borrowing Policy and Strategy

2.1 Treasury Limits for 2016/2017 to 2018/2019

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

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

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and two successive financial years and details can be found in Appendix 4 (P5) of this report. The Council is asked to approve these limits and to delegate authority to the Director of Finance, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long term liabilities where this would be appropriate. Any such changes made will be reported to Cabinet and the Council at their next meetings following the change.

Also, the Council is requested to approve the Operational Boundary Limits (P6) which are included in the Prudential Indicators set out in Appendix 4. This operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Council is also asked to delegate authority to the Director of Finance, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2 Current Treasury Management Position

2.2.1 Interest Rates 2015/2016

The Bank of England Base Rate has remained at 0.50% since 5th March 2009 and is predicted by Capital Asset Services (the Council's treasury advisors) to remain at that level until the fourth quarter of 2016 when it will begin to gradually rise until reaching 1.75% in December 2018. A number of analysts do not expect rates to begin to rise until 2017. The level of Consumer Price Inflation fell to -0.1% in April 2015. This was the lowest rate since estimates of this measure began in 1988. The CPI rate had increased to 0.2% by December 2015 but it is unlikely to reach 1% until the second half of 2016 and could remain below the Bank of England target of 2.0% until 2018. There is a considerable uncertainty, but forecasts of low levels of inflation, weak growth in China and the Eurozone, and the continuing need to stimulate growth in the UK means that pressure to increase the Base Rate is low. The actual path for monetary policy will be dependent on prevailing economic conditions and when the bank rate does begin to rise it is expected to do so only gradually with the rate remaining below average historic levels for some time to come. As a consequence of this and banks access to alternative finance, investment returns are likely to remain low during 2016/2017 and beyond.

PWLB rates have continued to be very volatile during 2015/2016 so far in response to economic news and world events. The 2015 Spending Review and Autumn Statement published in November increased the UK growth forecast for 2016 from 2.3% to 2.4% and for 2017 from 2.4% to 2.5% however there are worries over growth prospects and particular concerns that growth in China is losing momentum and there are also geopolitical concerns particularly over Ukraine and the Middle East. Uncertainty is expected to continue into the medium term but the overall expectation is for PWLB rates to rise over time as world growth recovers and investors switch from bonds to equities.

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 2016.

The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the figures for Quarter 4 to 19th January 2016.

2015/2016	**Qtr 1* (Apr - June) %**	**Qtr 2* (July - Sep) %**	**Qtr 3* (Oct – Dec) %**	**Qtr 4* (rates at 19th Jan 2016)**
7 days notice	**0.36**	**0.36**	**0.36**	**0.36**
1 year	**1.23***	**1.29***	**1.23***	**1.13***
5 year	**2.09***	**2.15***	**2.05***	**1.97***
10 year	**2.75***	**2.78***	**2.69***	**2.61***
25 year	**3.37***	**3.40***	**3.41***	**3.37***
50 year	**3.29***	**3.28***	**3.27***	**3.19***

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

2.2.2 **Long Term Borrowing 2015/2016**

The Council's strategy for 2015/2016 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 4.25% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2015/2016.

There have continued to be high levels of volatility in the financial markets and with borrowing rates still forecast to remain relatively low over the short term no new borrowing has been undertaken in the current financial year up to 19th January 2016.

The Treasury Management team continues to monitor PWLB rates closely to assess the value of possible further new borrowing at the bottom of the rate curve in line with the Council's future Capital Programme requirements.

The Borrowing Strategy for 2015/2016 made provision for debt rescheduling but due to the proactive approach taken by the Council in recent years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place. Rates have not been sufficiently favourable for rescheduling in 2015/2016 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities should arise.

The Council has seven market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the LOBO's that were subject to a potential rollover this financial year. No changes to loan rates 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**
21/04/2015 and 21/10/2015	Barclays	5.0	4.50	Every 6 months
29/09/2015	Dexia Credit Local	5.0	4.45	every 3 years
03/02/2016	Dexia Credit Local	5.0	4.37	every 3 years
22/02/2016	Dexia Credit Local	5.0	4.38	every 3 years
Total		**20.0**		

2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31st December 2015 comprised:

		Principal (£m)	**Total (£m)**	**Average Rate (%)**
Borrowing				
Fixed Rate Funding	PWLB	177.8		
	Market (LOBO's)	39.5		
	Other	0.6	217.9	3.91
Variable Rate Funding	Temporary / Other		27.6	0.41
Total Borrowing			**245.5**	**3.51**
Total Investments	In House–short term*		**265.4**	**0.91**
Net Surplus			**19.9**	

* 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 net surplus of £19.9m which represents the difference between gross debt and total investments and is significantly lower that the Council's capital financing requirement (capital borrowing need). However this position is expected to change over the next few years as the Council has to manage its finances with significantly less government funding. This is likely to impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council will increase.

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

Benefits of having a high level of investments are;

- liquidity risk – having a large amount of investments means that the Council is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps the Council to address its Strategic Priorities;
- of 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.

2.3 Prudential and Treasury Management Indicators for 2016/2017 – 2018/2019

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

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

2.4 Prospects for Interest Rates

The Council's treasury advisors are Capita Asset Services and part of their service is to assist the Council to formulate a view on interest rates. A number of current City forecasts for short term (Bank Rate) and longer fixed interest rates are set out in Annex A. The following gives the Capita Asset Services Bank Rate forecast for the current and next 3 financial years.

- 2015/2016 0.50%
- 2016/2017 0.50% - 0.75%
- 2017/2018 0.75% - 1.25%
- 2018/2019 1.25% - 1.75%

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

2.5 **Borrowing Strategy**

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

2.6 **Borrowing Requirement 2016/2017**

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

		2016/17 £m	**2017/18 £m**	**2018/19 £m**
1.	Capital Programme Borrowing	**70.0**	**61.0**	**3.8**
2.	Replacement borrowing (PWLB)	**0.0**	**4.0**	**5.0**
3.	Replacement LOBO	**10.0**	**19.5**	**20.0**
	TOTAL:	**80.0**	**84.5**	**28.8**

2.6.1 **Borrowing rates**

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

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2016	0.50	2.00	3.40	3.20
June 2016	0.50	2.10	3.40	3.20
Sept 2016	0.50	2.20	3.50	3.30
Dec 2016	0.75	2.30	3.60	3.40
March 2017	0.75	2.40	3.70	3.50
June 2017	1.00	2.50	3.70	3.60
Sept 2017	1.00	2.60	3.80	3.70
Dec 2017	1.25	2.70	3.90	3.80
March 2018	1.25	2.80	4.00	3.90
June 2018	1.50	2.90	4.00	3.90
Sept 2018	1.50	3.00	4.10	4.00
Dec 2018	1.75	3.10	4.10	4.00
March 2019	1.75	3.20	4.10	4.00

A more detailed forecast from Capita Asset Services is included in Annex A.

The main sensitivities of the forecast are likely to be;

- if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the US Federal Funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, 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, an increase in Geopolitical risks abroad or, a risk of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

Council officers, in conjunction with the Council's treasury advisers, monitor both the prevailing interest rates and the market forecasts. The Director of Finance, taking into account the advice of the Council's treasury adviser, considers a benchmark financing rate of 4.00% for any further long-term borrowing for 2016/2017 to be appropriate.

It is possible that a Municipal Bonds Agency, currently being set up by the Local Government Association, will be offering bonds to local authorities in 2016/2017. The rates offered by the new Agency will be assessed and use made of this new source of funding where it is considered advantageous.

Consideration will be also given to other options, including further utilising some investment balances to fund the borrowing requirement in 2016/2017. This policy has served the Council well over the last few years as investment returns continue to be low. As a result the Council is currently maintaining a large under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long term whilst ensuring that financing is available to support capital expenditure plans. The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required, and flexibility needs to be retained to adapt to any changes that may occur.

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

2.7 Policy on borrowing in advance of need

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

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

2.8 Debt Rescheduling

The reasons for any rescheduling of debt will include:

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

In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. However in 2007 the PWLB introduced a spread between the rates applied to new borrowing and repayment of debt which was compounded in 2010 by a considerable further widening of the difference between new borrowing and repayment rates and it has meant that PWLB debt restructuring is much less attractive than it was before both of these measures were introduced. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as the source of replacement financing but this would only be the case where this would represent best value to the Council.

The latest interest rate projections for 2016/2017 show short term borrowing rates will be cheaper than longer term rates and as such there may be potential for some opportunities to generate savings by switching from long term debt to short-term debt. These potential savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

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

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

3. Annual Investment Policy and Strategy

3.1 Investment Policy and Objectives

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

The Council's investment objectives are: -
- (a) the security of capital, and
- (b) the liquidity of its investments.

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of risk. The risk appetite of the Council is regarded as low in order to give priority to security of its investments.

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

3.2 Investment Strategy

This Strategy sets out:
- the guidelines for choosing and placing investments;
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;
- specified investments that the Council will use;

- non-specified investments that the Council will use, clarifying the greater risk implications, identifying the general type of investment that may be used and a limit to the overall amounts of various categories that can be held at any time.

3.3 **Investment Types**

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

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

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

Any non-specified investment by the Council that is classed as capital expenditure (see 3.4 below) will be subject to a capital appraisal and reported to Cabinet for approval.

The type of investments to be used by the in-house team will be limited to Certificates of Deposit, fixed term deposits, interest bearing accounts, Money Market Funds, Government debt instruments, floating rate notes, corporate bonds, municipal / local authority bonds, bond funds, gilt funds, property funds, and gilt edged securities and will follow the criteria as set out in Annex C.

3.4 **Investments Defined as Capital Expenditure**

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

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

3.5 **Investment Limits**

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

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

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

3.6 **Provisions for Credit Related Losses**

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

3.7 **Creditworthiness policy**

Following the financial crisis of 2008 it was recognised that investors, who largely remained unaffected through this period, should share the burden in future by making them forfeit part of their investment to "bail in" a bank before taxpayers are called upon. Regulatory changes that have been made in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail.

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

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 evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. 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.

It is important to stress the regulatory changes that are being made in the UK and the rest of Europe are designed to make the financial system sounder, their implementation will not suddenly weaken institutions and that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They 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.

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

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

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

Set out in Annex D is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment. If the Council's own banker, National Westminster Bank plc should fail to meet the minimum credit criteria to allow investments from the Council then balances will be minimized as far as possible.

3.8 **Monitoring of Credit Ratings**

- All credit ratings are monitored on a daily basis. The Council has access to all three credit ratings agencies and is alerted to changes through its use of Capita Asset Services counterparty service.
- If a counterparty's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the Council will cease to place funds with that counterparty.
- If a counterparty's rating is downgraded with the result that, their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa.

Should the UK Government AA+ sovereign rating be withdrawn the Council's Investment Strategy and Lending List criteria will be reviewed and any changes necessary will be reported to Cabinet.

3.9 **Past Performance and Current Position**

During 2015/2016 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	**2014/15 Benchmark %**	**2014/15 Return %**	**To date 2015/16 Benchmark %**	**To date 2015/16 %**
Council	0.35	0.76	0.36	0.91

During 2016/2017 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. The performance of the Council has compared well with other local authorities and is in the top quartile.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2016/2017 are likely to range between £60 million and £220 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 2016/2017, with short-term interest rates forecast to be materially below long-term rates, it is likely that some investment balances will continue to be used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

The Council is not committed to any investments, which are due to commence in 2016/2017 (i.e. it has not agreed any forward deals).

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

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

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

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

3.11 External fund managers

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

Should the Council appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These will be reported to Cabinet for agreement prior to any external fund manager being appointed

3.12 Policy on the use of external service providers

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

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

4. Scheme of delegation

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

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

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

5. The Treasury Management Role of the Section 151 Officer

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

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

Annex A

Interest Rate Forecasts

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

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

1. Interest Rate Forecasts

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View													
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.90%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%
6 Month LIBID	0.70%	0.70%	0.80%	0.90%	1.00%	1.20%	1.30%	1.50%	1.60%	1.70%	1.80%	2.00%	2.20%
12 Month LIBID	1.00%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.80%	1.90%	2.00%	2.10%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
Capital Economics	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
Capital Economics	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Capital Economics	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

2. Survey of Economic Forecasts

HM Treasury December 2015

The current Q4 2015 and 2016 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury December 2015 report.

BANK RATE FORECASTS	Quarter ended		Annual Average Bank Rate		
	Q4 2015	Q4 2016	ave. 2017	ave. 2018	ave. 2019
Average	0.50%	0.90%	1.40%	2.10%	2.60%
Highest	0.50%	1.30%	1.80%	2.50%	3.10%
Lowest	0.50%	0.70%	1.20%	1.40%	1.60%

Annex B

Economic Background

1.1 Global Economy Update

The Eurozone

In the Eurozone, the ECB announced a large €1.1 trillion programme of quantitative easing in January 2015 to buy up high quality government and other debt of selected EZ countries. This programme of €60bn monthly purchases started in March 2015 and is intended to run initially to September 2016. The policy appears to have had a positive effect in helping a recovery in consumer and business confidence and to start an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.2% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% (1.6% y/y) in quarter 3. Lower than anticipated growth, combined with recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and/or increasing its size in order to increase inflation from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

In July 2015, Greece agreed to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it has not addressed the unsupportable size of total Greek debt compared to GDP. Damage has also been done to the Greek banking system and economy by initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

The general elections in Portugal and Spain, during September 2015 and December 2015 respectively, have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing/communist coalition has taken power in Portugal which is heading towards unravelling previous pro-austerity reforms. This outcome could be replicated in Spain and has created nervousness in bond and equity markets for these countries with the potential to impact on the whole Eurozone.

USA

GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, there was strong growth in Q2 to 3.9% before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Federal Reserve would start to increase rates in September. They delayed the first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as due to a 20% rise in the value of the dollar which has caused the Federal Reserve to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was strong while November was also reasonably strong and December was very strong. This paved the way for the Federal Reserve to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by the UK Monetary Policy Committee.

China

The Chinese Government has been active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a move to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post-2008 credit expansion period. Overall, China is still expected to achieve a high growth figure but nevertheless, there are concerns about whether the Chinese economy can continue to grow at such a fast rate, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, also remains a concern.

Japan

Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of +1.1% during Q1. Growth then increased by +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession. This would have been the fourth recession in five years as Japan has been hit hard by the downturn in China during 2015. There are continuing concerns as to how effective government efforts to stimulate growth, and increase the rate of inflation from near zero, are likely to prove as initial attempts at reform have failed to achieve the desired outcomes and apparent government reluctance to address deregulation of protected and inefficient areas of the economy.

1.2 UK Economy

Economic growth

UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest of any G7 country and the 2014 growth rate was the strongest UK rate since 2006. Growth figures for 2015 are also amongst the strongest in the G7 again, although they may end up lower than expected. Growth forecasts in the range 2.5% - 2.7% are expected over the next three years but for this recovery to be more balanced and sustainable in the longer term further movement away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure is needed. Sustained growth since 2012 has resulted in unemployment falling quickly to its current level of 5.2%.

There are concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. This has led to differing views on the timing of rate rises and what options would be available in the event of another financial crisis in the near future. But it is unlikely that either the UK or US would raise rates until they are sufficiently confident that growth was securely embedded and inflation was on course towards the 2% target.

Whilst the timing of any rise in the Bank Rate has slipped further and further analysts are in general agreement that, when they do begin, the scale and pace of these increases will be much lower than prevailed before 2008 reflecting the much bigger effect on heavily indebted consumers and householders than they did before 2008.

Forward guidance

Since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK. Bank of England Governor Mark Carney has set three criteria that need to be met before he would consider making a start on increasing Bank Rate. These criteria are patently not being met at the current time, (as he confirmed in a speech on 19 January):

- Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 came up short and Q4 looks likely to also fall short.
- Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 @ 1.2%. December 2015 saw a slight increase to 1.4%.
- Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.

Inflation

Bank of England Inflation Report forecast is for CPI inflation to be subdued and barely getting back to the 2% target within the 2-3 year time horizon. The December 2015 Report shows CPI inflation rising to 0.2% from 0.1% in November with analysts forecasting CPI inflation rising to around 1% in the second half of 2016 and not getting near to 2% until 2017. The official MPC report itself identifies an even slower rate of increase. Considerable uncertainty over the scale and pace of pay and CPI inflation makes predications on when the BoE MPC will decide to start increasing the Bank Rate difficult.

However, with the price of oil having fallen further in January 2016, and with sanctions having been lifted on Iran, enabling it to sell oil freely into international markets, there could well be some further falls still to come in 2016. The price of other commodities exported by emerging countries could also have downside risk and several have seen their currencies already fall by 20-30%, (or more), over the last year. These developments could well lead the Bank of England to lower the pace of increases in inflation in its February 2016 Inflation Report. On the other hand, the start of the national living wage in April 2016 (and further staged increases until 2020), will raise wage inflation; however, it could also result in a decrease in employment so the overall inflationary impact may be muted.

Government Debt

Whilst still continuing with austerity measures, the Government's revised Budget in July 2015 eased the pace of cuts from achieving a budget surplus in 2018/2019 to achieving one in 2019/20 and this timetable was maintained in the Autumn Statement with a forecast surplus of £10.1bn. Ahead of this timeframe, the forecast deficit in 2015/16 has reduced from £74.1bn to £73.5bn but the 2016/2017 target has increased from £46.7bn to £49.9bn.

1.3 Economic Forecast

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in rates and bond yields is likely to continue as investors move funds between more risky assets i.e. equities with the potential for higher returns or the safe haven of bonds.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established. This will be accompanied by rising inflation and consequent increases in Bank Rate and the eventual unwinding of Quantitative Easing. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. The UK remains exposed to vulnerabilities in a number of key areas. And the balance of risk linked to Bank Rate forecasts is probably to the downside i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth and forecasts for inflation increases are lower than currently expected The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively over the last year from Q4 2015 to Q4 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008. There has also been an increase in momentum towards holding a referendum on membership of the EU in 2016, rather than in 2017, with Q3 2016 being the current front runner in terms of timing; this could impact on MPC considerations to hold off from a first increase until the uncertainty caused by it has passed.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and also in China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, particularly in the Eurozone and Japan

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

- Uncertainty around the risk of a UK exit from the EU, with a referendum due to be held by the end of 2017.
- The commencement by the US Federal Reserve of increases in the central rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Annex C

Lending List Criteria

Counterparty Criteria

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

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

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

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

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

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

It is also proposed to set a total limit of £100 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has shown that it has been willing to take action to protect the UK banking system.

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

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

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

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

- the UK continues to have a sovereign credit rating of AA+; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Annex D.

Appendix 7

Annex D

Approved Lending List

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA+	-	Aa1	-	AAA	-	350	2 years
Lloyds Banking Group (see Note 1)							**Group Limit 100**	
Lloyds Bank Plc	A+	F1	A1	P-1	A	A-1	100	2 years
Bank of Scotland Plc	A+	F1	A1	P-1	A	A-1	100	2 years
Royal Bank of Scotland Group (See Note 1)							Group Limit 100	
Royal Bank of Scotland Group plc	BBB+	F2	Ba1	NP	BBB-	A-3	100	2 years
The Royal Bank of Scotland Plc	BBB+	F2	A3	P-2	BBB+	A-2	100	2 years
National Westminster Bank Plc	BBB+	F2	A3	P-2	BBB+	A-2	100	2 years
Ulster Bank Ltd	BBB+	F2	A3	P-2	BBB	A-2	100	2 years
Santander Group							**Group Limit 65**	
Santander UK plc	A	F1	A1	P-1	A	A-1	65	364 days
Barclays Bank plc	A	F1	A2	P-1	A-	A-2	50	364 days
Clydesdale Bank / Yorkshire Bank */**	A	F1	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	Caa2	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A	A-1	65	364 days
HSBC Bank plc	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Nationwide BS	A	F1	A1	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	Aa2	P-1	A+	A-1	70	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	A2	P-1	-	-	50	364 days
Newcastle BS **	BB+	B	-	-	-	-	0	
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa3	P-3	-	-	0	
Skipton BS **	BBB+	F2	Baa2	P-2	-	-	0	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
West Bromwich BS **	-	-	B1	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
Standard Life Investments Liquidity Fund	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+	Aa2	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa2	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+	Aa3	P-1	AA-	A-1+	75	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Finland	AAA		Aaa		AA+		100	2 years
Nordea Bank Finland plc	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Pohjola Bank	**-**	**-**	Aa3	P-1	AA-	A-1+	**75**	**2 years**
Germany	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	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
Cooperatieve Centrale Raiffeisen	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Boerenleenbank BA (Rabobank Nederland)								
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
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	75	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
JPMorgan Chase Bank NA	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Wells Fargo Bank NA	AA	F1+	Aa1	P-1	AA-	A-1+	75	2 years

Notes

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

* 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.