Sunderland City Council

Item No. 6(i)

Cabinet - 12th February 2014

Capital Programme 2014/2015 and Treasury Management Policy and Strategy 2014/2015, including Prudential Indicators for 2014/2015 to 2016/2017.

Report of the Chief Executive and Head of Financial Resources

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 2014/2015 and the Treasury Management Policy and Strategy for 2014/2015 (including both borrowing and investment strategies) and to set the Prudential Indicators for 2014/2015 to 2016/2017.

2. Description of Decision

2.1 Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2014/2015
- the Treasury Management Policy and Strategy for 2014/2015 (including specifically the Annual Borrowing and Investment Strategies)
- the Prudential Indicators for 2014/2015 to 2016/2017
- the Minimum Revenue Provision Statement for 2014/2015.

3. Capital Programme 2014/2015

General

3.1 The proposed Capital Programme for 2014/2015 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 secure capital investment in the City in order to secure growth and jobs. The total programme proposed amounts to £80.722m as set out below:

	Capital Programme 2014/2015
	£m
Children's Services	6.287
Transport	22.943
Health, Housing and Adult Services (HHA)	6.257
Other Services	45.235
Total	**80.722**

3.2 Members will be aware that the Council has committed resources towards a substantial capital programme spanning a five year period. Therefore the 2014/2015 programme reflects ongoing capital scheme commitments from previous years of £63.011m as set out in Appendix 1 and new starts of £17.711m.

The details of the full Capital Programme for 2014/2015 are included as Appendix 3 and the proposed new starts are set out in Appendix 2. The rest of this section of the report covers proposals for new starts in more detail.

3.3 **Local Asset Backed Vehicle**
In addition to the above directly funded capital schemes the Council has also approved the creation of a Local Asset Backed Vehicle and has recently approved the preferred bidder for the Sunderland Delivery Vehicle (SDV) partner. This will utilise the Council's asset base, the partner's equity funding, capacity and expertise plus proposed third party finance, and is a substantial long term financial commitment by the Council, to deliver major economic and regeneration benefits to the City in accordance with the key objectives of the Economic Masterplan.

Resources Available for new Starts

Resources - Grants

3.4 As reported to Cabinet in January 2014 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 2013/2014 onwards.

	2013-14 £000s	**2014-15 £000s**	**2015-16 £000s**
Highways Capital Maintenance *	3,397	3,052	
Highways Integrated Transport	2,141	3,011	
Local Pinch Point		1,169	
Regional Growth Fund		5,440	1,700
Nexus - Public Transport	187	450	
Total Transport	**5,725**	**13,122**	**1,700**
Education Capital Maintenance	2,541	2,225	
Education Basic Need	805	805	508
Schools Devolved Funding	597	504	
Two Year Old Offer	553		
Universal Infant Free School Meals		443	
Total Education**	**4,496**	**3,977**	**508**
Department of Health***	**843**	**860**	**873**
CLG – Disabled Facilities Grant***	**1,422**	**1,467**	**1,787**
Total Government Grants	**12,486**	**19,426**	**4,868**

* The Highways Capital Maintenance Grant includes additional one off funding of £0.804m (£0.520m in 2013/2014 and £0.284m in 2014/2015) allocated in the Chancellor's Autumn Statement on 5th December 2012, for which the Council must publish a short statement on its website at the end of each financial year setting out what and where this additional funding has been spent and how it has complemented planned highways capital expenditure.

** In addition the Department for Education had announced funding of £0.797m in 2013/2014 for which Voluntary Aided schools will have direct responsibility.
*** From 2015/2016 Department of Health Grant and Disabled Facilities Grant will be part of the Better Care Fund following transfer of responsibilities from the NHS to local authorities .

Resources – Capital Receipts and Reserves

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

As part of its property rationalisation programme the Council is marketing sites when it is felt to be the appropriate time in order to achieve best value to and help support operational efficiencies. Following a review of capital receipts and existing reserves at this stage it is proposed that £0.580m capital receipts and £3.580m reserves are used to support the capital programme (£2.190m in 2014/2015 and £1.970m in future years).

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

Resources – Revenue Budget

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

Resources – Borrowing

3.7 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 £4.770m of prudential borrowing (£1.270m in 2014/2015 and £3.500m from 2015/2016) 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.

Detailed Proposals for New Starts and Capital Programme 2014/2015

3.8 Since the January 2014 Cabinet meeting, consultation with the appropriate Cabinet Portfolio Holders has been undertaken on priorities for new starts taking into consideration available resources. The table below sets out a summary position for 2014/2015 in respect of new starts, and continuing commitments are detailed in Appendix 1. Full details of all proposed new capital projects to be included in the Council's 2014/2015 capital programme are detailed in Appendix 2. Part of Education capital funding for 2014/2015 onwards has not yet been allocated by Government and therefore actual grant awarded will be added to the capital programme and reported to Cabinet once details become known.

In drawing up the Other Services capital programme new starts for 2014/2015 account was taken of the investment priorities to support meeting Economic Masterplan aims which support regeneration, service and community priorities whilst harnessing commercial opportunities. The following major schemes are proposed as new starts in respect of the capital programme for 2014/2015 with further details set out in Appendix 2.

Project	Total Capital Programme £m	Spend 2014/2015 £m
Children's Services Schemes	5.018	0.750
Transport Schemes	12.322	10.622
Health, Housing & Adults Schemes	5.856	2.496
Strategic Land Acquisitions	2.000	1.000
Community Infrastructure Improvements	2.500	0.000
Port Dock Gates	0.270	0.270
IT Developments	1.000	1.000
Flood & Extreme Weather Mitigation Works	0.500	0.500
Fleet Replacement	1.560	0.490
Replacement of Cremators	0.900	0.000
Safety Fencing Replacement	0.200	0.200
Play Schemes	0.383	0.383
Total New Starts	**32.509**	**17.711**

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

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

Further Reports

3.9 In accordance with the Council's Constitution, prior to commencement of projects, details of all new schemes must be subject to a full capital investment appraisal. Those schemes with an estimated cost in excess of £0.250m must be reported for approval to Cabinet 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.

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 2014/2015, 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 revoking secondary legislation to make a Minimum Revenue Provision (MRP) charge to the revenue account for the repayment of debt associated with expenditure incurred on capital assets. The legislation was replaced with a new duty for local authorities to set, each year, an amount of MRP it considers prudent. It also recommends that an annual statement of its policy on making a MRP in respect of the following financial year is submitted to full Council for approval.

4.6 The recommended Minimum Revenue Provision Statement for 2014/2015 for the Council is set out in Section 1.9 a) to d) of Appendix 5.

5. Treasury Management

5.1 General

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

5.2 Statutory requirements

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

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

5.3 CIPFA Code of Practice requirements

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

The primary requirements of the Code include:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
   - suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement is detailed in Appendix 6 and the TMP's 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 TMP's.

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

4. The Council'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 2014/2015**

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 2014/2015.

5.4.2 There are however no major changes being proposed to the overall Treasury Management Strategy in 2014/2015 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 2014/2015 is set out in Appendix 7 and is based upon the views of the Head of Financial Resources, 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 2013/2014 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.48% is low in comparison with other local authorities whilst the current rate earned on investments at 1.05% 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 2014/2015
Appendix 2 - Capital Programme 2014/2015 New Starts
Appendix 3 – Capital Programme 2013/2014 to 2017/2018
Appendix 4 – Prudential and Treasury indicators 2014/2015 to 2016/2017
Appendix 5 – Minimum Revenue Provision Policy Statement 2014/2015
Appendix 6 - Treasury Management Policy Statement
Appendix 7 – Treasury Management Strategy Statement for 2014/2015

Appendix 1

	Capital Commitments into 2014/2015
	£m
Children's Services Schemes	5.537
Transport Schemes	12.321
Health, Housing & Adults Schemes	3.761
St Mary's Boulevard & City Square	3.935
Seafront Developments	1.880
Roker Pier and Lighthouse	0.938
Washington Leisure Centre	8.052
Port Infrastructure & Invest to save works	1.513
Parks Improvement Programme	0.925
St Peter's Public Realm	1.218
Enterprise Zone Infrastructure	5.873
Investment Corridors	2.442
Property Planned Capital Maintenance	1.400
Provision for Economic Development	0.690
Flood & Extreme Weather Mitigation Works	0.530
Community Infrastructure Improvements	2.500
Sunderland Railway Station Contribution	3.000
Other Schemes	6.496
Total	**63.011**

Appendix 2

Capital Programme 2014/2015 – New Starts

1.0 Children's Services Capital Proposals 2014/2015

1.1

The table below details the Children's Services Government Grants announced for 2013/2014 onwards.

	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Education Capital Maintenance	2,541	2,225		
Education Basic Need	805	805	508	533
Schools Devolved Funding	603	504		
Two Year Old Offer	553			
Universal Infant Free School Meals		443		
Total Children's Services	**4,502**	**3,977**	**508**	**533**

1.2 **Proposals for Children's Services Capital Programme New Starts 2014/2015**

1.2.1 There is projected to be £9.003m Education Capital grants funding (Capital Maintenance and Basic Needs) that will be available from 2014/2015 for School Asset Management Priorities. This consists of £5.973m from allocations projected to be brought-forward from 2013/2014, and £3.030m new 2014/2015 allocations. In addition, there is Basic Needs allocations confirmed for 2015/2016 and 2016/2017 totalling £1.041m. The voluntary-aided sector is allocated a share of grant funding based on pupil numbers, and reflecting the governors' 10 per cent contribution and eligibility for VAT for Capital Maintenance. Funding is held back centrally for academies which mean that there is no call on the capital maintenance funds allocated to Local Authority schools. Details below show current proposals from the new grant allocations as well as the projected grant allocation brought forward from previous years, but excluding the Schools Devolved Capital grant from which schools will determine their own priorities from their allocations. Further proposals may arise during the year as other essential works emerge to meet key priorities.

Priority Schools Building Programme (PSBP) - £0.850m

1.2.2 In October 2011 the Council submitted bids for five schools (2 secondary and 3 primary schools) to the Priority Schools Build Programme (PSBP). Cabinet approved the submission on 5th October 2011. Schools in the programme can be funded in one of two ways. Either through Direct Grant or through a Private Finance Initiative (PFI) with the schools split into 'Batches' to reflect the funding stream they are to access. Sunderland has two schools (Usworth Grange Primary School and St Anthony's RC VA Academy) to be funded through the Direct Grant with the remaining three schools (Shiney Row Primary School, Hylton Castle Primary School and Hetton School) funded through PFI. These schools have been identified as in the worst condition and in greatest need of capital redevelopment. All schools will be new builds.

1.2.3 For those schools in the PFI ‘Batch’, there is a requirement that Schools must accept being part of a long-term (approximately 27 year) private finance arrangement including Hard / Soft Facilities Management (FM). This includes a requirement for schools to make a contribution to the annual revenue payment. The cost per square metre is to be determined but it is currently estimated that the increased facilities management requirement involved in the programme is likely to cost an additional £0.2m per annum for a secondary school and for an average sized primary school £0.060m revenue spend per annum (there will be no additional contractual FM requirement made of Usworth Grange Primary School). As it would be extremely difficult for individual schools to meet this additional cost pressure an alternative way of funding the shortfall for the schools involved would be an increased allocation from the overall Dedicated Schools Grant (DSG). This would be an additional call on the DSG which would be effectively ‘top-sliced’ before schools receive their individual allocations. The Schools Forum agreed this proposal in principle at its 15th September 2011 meeting. Proposed changes to the schools funding formula means that the mechanism to do this must be revisited, although the principle is still in place.

1.2.4 It is proposed that ‘setting up allowances’ for furniture and ICT infrastructure are provided to the maintained schools in the programme through the Children’s Services Capital Programme. These are not covered through PFI funding and will be funded by Capital Maintenance and/or Basic Need grants. The amount proposed is £0,325m for Hetton School and £0.175m for each of the three primary schools within the programme, or £0.850m in total.

1.2.5 This represents an overall increase of £0.1m in the amount approved in 2013/2014. It is in response to unforeseen costs involved with the overall build of the school, such as at Usworth Grange Primary where the school has been required to fund elements of the build that were considered desirable by the school to facilitate management and delivery of the curriculum but considered out of scope by the DFE.

1.2.6 Development of the PSBP schools is progressing following a period of delay. The build at Usworth Grange has now commenced, with SRM the appointed contractor, while Hetton School has been selected as a ‘First School’ and will lead the development of the schools in the PFI batch. Three firms are currently under consideration for the city’s PFI batch of schools.

Basic Need

1.2.7 Sunderland City Council remains the responsible body for the city’s Basic Need funding. This funding is for all publicly funded schools in the city (including Academies and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places can be provided where needed.

1.2.8 Cabinet has already agreed proposed works at Easington Lane Primary School of £0.650m and Biddick Primary School of £0.450m that respond to the need for additional primary school places in Hetton and Washington. These works will be completed in 2013/2014. The Council, working with partners, has identified the following additional works as priority for the 2013/2014 – 2014/2015 funding cycle.

Lambton Primary School - £0.350m in 2013/2014 -2014/2015

1.2.9 The increase in primary aged pupil numbers in Washington has required the local authority, working with local schools in the planning area, to seek a number of additional places in order to ensure there are sufficient school places to meet demand in coming years.

1.2.10 In March 2013, following a temporary PAN increase at Biddick Primary School, the PAN at the school for reception aged children was raised permanently from 30 to 45. This came in to place in September 2013. This increase has mitigated the undersupply of places in Washington and forms part of the local authority's strategy to ensure there are sufficient school places in the area.

1.2.11 Long term projections identify further increase in the demand for places in Washington. It is anticipated that as many as 50 additional places could be required to accommodate demand for the 2014/2015 reception cohort. This will be further exacerbated as the housing developments at Teal Farm and Emerson House mature. For this reason the local authority, following consultation with Washington Schools, has proposed a PAN increase at Lambton Primary School for 2014/2015 from 30 to 60 reception places. Additional sufficiency review is ongoing as the 2014/2015 primary preference period for primary school places continues.

1.2.12 As a result of the agreed pupil admission number increase it will be necessary to increase the current school capacity to 420. Work has already been successfully completed to increase the capacity of the Key Stage 1 accommodation. A further phase of development is now needed to increase the accommodation requirements in Key Stage 2 and be completed by September 2014.

1.2.13 The required works are estimated to cost in the region of £0.350m. Costs will be met from Children's Services Basic Need allocation provided by the Department for Education to the local authority to address its need for additional school places.

Barbara Priestman Special School - £0.850m in 2013/2014 – 2014/2015

1.2.14 Barbara Priestman Special School has been identified as having significant capacity issues. The Council has evaluated the capacity required by the school to house the current number of pupils on roll (120) against both the PSBP floor space ratio and the previous net capacity evaluation tools used under BSF. On both occasions the class space available has been identified as insufficient to meet the current needs of the school.

1.2.15 To increase the school footprint to meet current space standards the existing school footprint will need to undergo both extension and alteration. The Council is proposing that this occurs in three phases. Phase 1 involves the creation of a new teaching block for pupils aged 16-19. Phase 2 and 3 would involve a series of internal alterations and adaptations to the existing estate in order to provide additional class bases and greater teaching space for up to 80 pupils aged 11 – 16.

1.2.16 The estimated value for the full scale of works at Barbara Priestman is £1.8m – £1.95m. Given the impact that this would have on the wider Basic Need budget it was agreed in 2012/2013 that Phase 1 was to be completed during 2013/2014 through Basic Need funding with further discussions with the Ascent Academies Trust identifying the funding relationship and process for any additional phases of the programme. The value of Phase 1 is estimated at £0.65m

1.2.17 Procurement has now commenced on the Phase 1 development. Following discussions between the academy trust and local authority officers the Academy has agreed to submit a bid of £1m to the DfE's Academy Capital Maintenance Fund. This allows for Academies to submit bids of up to £4m for capital to resolve identified priorities relating to condition and overcrowding. Any development would need to be completed by 2014/2015. Given that the additional floor space from the development would contribute to the potential to increase the overall capacity of the Academy, and that the assessment criteria published by the DfE gives priority to bids demonstrating the ability to draw on alternative funding, it is proposed that the local authority contribute a further £0.2m to this project, with the Academy Trust contributing £0.1m with total funding at £1.3m for the remaining phases of the project. It is recognised that the £0.2m provided by the council is dependent on the Academy Trust securing the remaining £1.1m from the DfE or an alternative source.

SEN Provision - Columbia Grange School – £0.150m - £0.300m

1.2.18 Pressure on primary school places for young people with ASD for whom a mainstream school placement is deemed unsuitable has increased across Sunderland. In recent years the local authority, working with local primary and secondary schools, has increased the range of provision available to pupils with special educational needs through the development of resourced provision at Farringdon Academy, Biddick Sports Academy and Oxclose Village Primary School but there is still demand for additional resource within the specialist primary sector.

1.2.19 The creation of additional capacity at Columbia Grange Primary School would mitigate the undersupply of specialist ASD places in the primary sector. Discussions with the school and governing body are at an initial stage but a proposal is under development for cabinet consideration that would see between 10 – 20 primary places created across all age ranges at the school. Previous works indicate that an estimated £0.150m - £0.300m will be required to carry out the required works. This will be funded through Basic Need Funding.

1.2.20 Smaller works have also been planned at Farringdon Academy (£0.120m for ASD commissioned places) and Usworth Colliery (£0.010m-£0.015m to refresh existing teaching space for ASD delivery).

Pupil Planning

1.2.21 In addition to the proposed works the Council is assessing those localities where pupil projections have indicated potential capacity problems. Particular focus remains on primary places in parts of the Coalfields and Washington areas. There is currently no identified need for further secondary investment using Basic Need funding.

Capital Maintenance

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

1.2.23 The priority for Children's Services is health and safety, keeping buildings wind and watertight, and thereby avoiding school closures. A contingency sum is therefore also required to address the numerous ad-hoc situations that arise in schools year on year. To achieve this an ongoing refurbishment programme is in place focusing on the following areas:

- Window replacement
- Fire detection systems
- Boiler/ heating replacement
- Roofing works
- Asbestos removal
- Lighting renewals

1.2.24 The Council's Capital Allocation for 2014/2015 has decreased as a consequence of the number of the city's secondary schools who have now converted to academy status. To that end it has been estimated that a minimum of £1m will be allocated against the ongoing improvement to the Sunderland's maintained sector capital estate.

Pupil Referral Centre – Move to Pallion Skills Centre - £0.170m

1.2.25 The PRU currently occupy premises at Cheadle Centre and Tudor Grove. Due to restrictions on space and ability to develop further teaching space at the Cheadle Centre, as well as the opportunity to utilise the existing academic and vocational facilities at the Pallion Skills Centre, the PRU will move a proportion of their delivery from the Cheadle Centre to the Pallion Centre. Sandhill View School, who own a proportion of the capital assets at the Pallion Skills Centre, have agreed that assets required to facilitate vocational delivery at Pallion can remain for use for the PRU's use.

1.2.26 However, further capital investment will be required to modify the internal teaching space. This has been estimated at £0.170m and will be funded through Capital Maintenance. Work includes the development of classrooms, modification of transition areas in the school and remedial work required before occupation. Work is anticipated to be complete by October 2014.

Universal Infant Free School Meals £0.750m

1.2.27 In December 2013 the Secretary of State announced capital funding grants for a Universal Free School Meals Capital Grant aimed at improving facilities in school kitchens and dining rooms for reception, year one and year two pupils. Of this grant Sunderland has been allocated £0.443m for maintained schools with a further £0.120m allocated the Sunderland's maintained VA schools.

1.2.28 Local investment is yet to be finalised with options including the replacement of equipment across the city or the development of production kitchens in the 3 maintained schools that do not produce meals onsite. The maintained schools with either no kitchen facility on site or schools where the existing kitchen facilities are insufficient in size to meet the needs of the cohort. Schools without kitchen facilities are JFK Primary School, Bernard Gilpin Primary School and Grindon Infant School. The three schools identified currently have meals prepared at other kitchens and then delivered to the sites. By giving the above schools the facility to prepare and serve meals on site the schools will be able to make long term cost efficiencies and increase the range of meals available to young pupils (encouraging more people to take up school meals). Once completed all maintained schools in Sunderland will have onsite kitchen facilities.

1.2.29 The local authority, working with Up North has identified outline costs to provide kitchen facilities in JFK, Bernard Gilpin Primary and Grindon Infant Schools. At £0.750m this exceeds the £0.443m allocated to Sunderland Council by the DfE. It is proposed that the shortfall in funding of £0.307m is met through the local authority's capital maintenance budget.

1.2.30 Further to the above Capital proposals, the School Meals Consortium has agreed a minimum of £0.150m to be drawn from the Consortium's trading surplus. This will be allocated to the remaining schools who continue to make up the local authorities school meals consortium to purchase heavy equipment for those members in order to increase the quality of existing facilities providing school meals to reception, year one and year two students.

2.0 Highways Capital Funding 2014/2015

2.1 The Department for Transport (DfT) announced LTP allocations on 29th March 2012 for 2013/2014 and 2014/2015 which are set out below. The DfT also announced on 18th December 2012 additional allocations for Highways Maintenance for 2013/2014 and 2014/2015 which are also included in the table below. In addition the Council receives a contribution from Nexus Allocation towards public transport initiatives. On 28th August 2013 DfT confirmed funding of £1.169m Local Pinch Point funding; the Department for Business, Innovation and Skills also confirmed on 20th December 2013 £7.140m Regional Growth Funding; both of these are for Low Carbon Enterprise Zone Transport Infrastructure schemes.

2.2 The table below details the Highways Capital Funding announced for 2013/2014 onwards.

	2013-14 £'000	2014-15 £'000	2015-16 £'000
Highways Capital Maintenance	3,397	3,052	
Highways Integrated Transport	2,141	3,011	
Nexus Allocation	187	450	
Local Pinch Point	0	1,169	
Regional Growth Fund (RGF)	0	5,440	1,700
Total Transport	**5,725**	**13,122**	**1,700**

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 2014/2015 from prudential borrowing and new grants is therefore £17.822m (£13.122 2014/15 grants, £1.7m 2015/16 grants, and £3m 2014/15 to 2016/17 p.a. prudential borrowing), or £14.822m from new grants only.

Proposals for Highways Capital Programme New Starts 2014/2015

2.2.1 Both the Highways Capital Maintenance and Integrated Transport funding blocks are calculated through a needs-based formula and in Metropolitan Areas is allocated to the Integrated Transport Authority (ITA) in that area. It is up to the ITA to distribute funds to constituent authorities in their area and, in consultation with Districts they have agreed the allocations included in the table above. Future years allocation of this funding may change if a Combined Authority for the north east region is created in 2014 and due to the allocation of some Integrated Transport funding to the new Local Growth Fund from 2015/2016. However, it has been recommended that for 2014/2015, that funding allocations are provided to local authorities on the same basis as allocated by the ITA.

2.2.2 The proposed capital programme for 2014/2015 and future years, excluding funding of the central transport team for Tyne and Wear and for ongoing commitments in relation to the New Wear Crossing, will leave £12.121m (£14.822m less £2.500m for the Crossing and £0.201m for the Central Transport team) to support the following priorities:

- The structural maintenance of highways and bridges – £1.750m.
- 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 - £1.612m (£0.501m of this allocation will provide match funding for Local Pinch Point Schemes).
- As part of the Low Carbon Enterprise Zone Transport Infrastructure schemes, £1.169m Local Pinch Point funding will support schemes located on A19/A690 and A19/A183 junctions, and £7.140m Regional Growth Fund funding will support schemes including A19/A1290 junction signalisation, A1290 Nissan Access signal improvements, A1290/Cherry Blossom Way signalisation and associated pedestrian and cycleway improvements.

- Public transport initiatives - £0.450m.

3.0 Health, Housing and Adult Services Capital Proposals 2014/2015

3.1 The Council now receive a single Department of Health (DoH) capital grant on the basis of social care Relative Needs Formula. The allocation to Sunderland was £0.843m in 2013/2014 and will be £0.860m in 2014/2015. The grant is not ring fenced but is expected to be used to support three key areas which comprise of personalisation, reform and efficiency.

3.2 An allocation of £1.467m Disabled Facilities Grant has been confirmed for 2014/2015. The DFG grant is not ring fenced but is expected to be used to support individuals being able to remain in their own properties for as long as possible in a safe and secure environment.

3.3 From 2015/2016 Department of Health Grant and Disabled Facilities Grant will be part of the Better Care Fund following transfer of responsibilities from the NHS to Local Authorities. Provisional allocations for 2015/2016 have been announced and are £0.873m for Social Care Capital Grant and £1.787m for Disabled Facilities Grant.

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

3.3 **Proposals for Health, Housing and Adult Services Capital Programme New Starts 2014/2015**

The table below details the Health, Housing and Adult Services Capital Funding announced for 2013/2014 onwards.

	2013-14 £'000	**2014-15 £'000**	**2015-16 Provisional £'000**
Disabled Facilities Grant	1,417	1,467	1,787
Department of Health (DoH)Capital Grant	843	860	873
Total	**2,260**	**2,327**	**2,660**

The table below outlines the current proposals for 2014/2015 and future years from new announced grant allocations and other resources.

	2014-15 £'000	**2015-16 £'000**
Disabled Facilities Grant (DFG)	2,346	2,487
Improvements to Care and Support	150	150
Reablement Services	0	723
Total Expenditure	**2,496**	**3,360**

Further detail is set out below;

3.3.1 **Housing**

Disabled Facilities Grant

It is proposed that the Disabled Facilities Grants budget for 2014/2015 remains at £2.346m, the same level as 2013/2014. This can be funded through a specific government grant of £1.467m, a Council contribution of £0.0.039m, a contribution from Registered Social Landlords of £0.130m and DoH funding of £0.710m. For 2015/2016, it is proposed that the Disabled Facilities Grants budget is increased to £2.487m. This can be funded through a specific government grant of £1.787m (indicative allocation), a Council contribution of £0.570m and a contribution from Registered Social Landlords of £0.130m.

3.3.2 **Adult Services**

Refurbishment Works

Annually the Directorate reviews all establishments including those occupied by clients and a schedule of works that are required is drawn up to ensure that these establishments are maintained at an acceptable level. Directorate establishments refurbishment needs amounting to £0.150m have been identified to maintain standards of provision for residential and day care and enhancing service delivery.

Reablement Services

It is proposed to use the remaining £0.723m DoH grant in 2015/2016 to accelerate the expansion of reablement services in the city with Health partners.

4.0 Other Services Capital New Start Proposals 2014/2015

Resources to support other services proposals for capital projects are set out in Section 3 of the main report. The following projects are proposed for inclusion in the 2014/2015 capital programme:

4.1 Strategic Land Acquisitions £2.000m (£1.000m in 2014/2015 and £1.000m in 2015/2016)

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

4.2 Community Infrastructure Improvements £2.500m in 2015/2016

It is recommended that a provision of £2.500m established in 2013/2014 is continued into 2015/2016 to allow smaller infrastructure works to be completed within local communities. This provision will also support the continued development and delivery of the Community Leadership model within the Council.

4.3 Port Dock Gates £0.270m in 2014/2015

The Port has benefited in recent years from new capital investment which has facilitated the development and expansion of the commercial opportunities within the Port and a significantly improved trading position. Essential capital maintenance of No 1 gates has previously been identified and £0.600m allocated towards these works. However detailed investigation has identified a further £0.270m is required to complete the necessary works.

4.4 IT Developments £1.000m in 2014/2015

Further IT developments are proposed that will enable efficiencies within the Council to take place and help services to meet necessary budget reductions and also provide for essential maintenance and business critical work, including for network, security and storage updates.

4.5 Flood and Extreme Weather Mitigation Works £0.500m in 2014/2015

Extreme weather caused flooding on Council land in 2012 and the Council allocated £1.500m over 3 years towards the physical installation of new drainage systems, repair of highways drainage networks and creating physical barriers for surface run off from land. Storms in 2013 have caused damage to walls at Seaburn and have required works and funding to be accelerated into 2013/2014. As a consequence it is proposed to replenish funding originally provided for 2014/2015 by making an additional allocation of £0.500m towards flood and extreme weather mitigation works.

4.6 Safety Fencing Replacement £0.200m in 2014/2015

A recent condition survey has identified the need to replace parts of the safety fencing on the city's road network. An allocation of £0.200m will allow safety fences at priority locations identified from the condition survey to be replaced and ensure that public safety is not compromised.

4.7 Fleet Replacement £1.560m (£0.490m in 2014/2015, £0.630m in 2015/2016 and £0.440m in 2016/2017)

It is proposed to allocate £1.560m over 3 years towards replacing 12 Gritters, 8 tandem vibration rollers, an excavator with trailer and a precinct paving scrubber. Allocation of resources now will ensure funds are available to continue the Councils existing service provision. An option appraisal will be carried out to ensure that purchase of these assets will provide better value to the Council than leasing.

4.8 Replacement of Cremators - £0.900m in 2015/2016

It is proposed to make provision for the replacement of the 3 cremators in 2015/2016. The existing cremators were installed 14 years ago and are now coming to the end of their useful lives, being 10-15 years. Most cremators are gas but the current ones are electric, with limited and costly external support for maintenance etc. and will be replaced with more modern and efficient versions.

4.9 Play Schemes - £0.383m in 2014/2015

A work programme is underway using Section 106 developer contributions to continue improving and upgrading play facilities across the city. Aligned with the Play and Urban Games Strategy the investment will contribute to maintaining the standard of the city's play areas. As part of the first phase it is proposed that work will commence at Seldom Seen, Herrington Country Park and a number of Washington parks.

4.10 Potential Invest to Save Schemes

It is proposed that the Capital Programme includes headroom over the medium term to support capital spending for 'invest to save' schemes. 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 and will only progress subject to development of a detailed business case, at which point they will be reported to Cabinet and added into the capital programme. It is important to note that much of this investment is anticipated to be recouped through commercial arrangements over time and some investments are linked to the generation of savings to support the revenue budget.

Appendix 3

CAPITAL PROGRAMME

Summary of Programme
2013/14 to 2017/18

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Leader	80,183	15,622	20,927	20,608	14,526	8,500	
Deputy Leader	14,673	11,358	717	2,598			
Cabinet Secretary	30,598	5,337	11,100	6,891	5,090	1,090	1,090
Children's Services	31,323	14,247	4,994	6,287	3,334	2,461	
Health, Housing & Adult Services	21,418	7,315	4,486	6,257	3,360		
Public Health, Wellness & Culture	15,260	480	4,553	9,270	957		
City Services	210,351	59,095	16,486	26,311	41,647	56,402	10,410
Responsive Services & Customer Care	910	294	616				
Contingencies	12,155		4,320	2,500	5,335		
TOTAL CAPITAL EXPENDITURE	**416,871**	**113,748**	**68,199**	**80,722**	**74,249**	**68,453**	**11,500**

CAPITAL PROGRAMME

Source of Finance	Estimated Payments				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
From External Sources					
Loans					
- Unsupported Borrowing	35,748	40,653	23,576	15,356	11,500
- Growing Places Fund	1,299	3,841			
Government Grants					
- Department for Communities and Local Government - Disabled Facilities Grant	1,417	1,467	1,787		
- Department for Communities and Local Government - Other		463			
- Department of Health	677	951	873		
- Department for Education - Capital Maintenance	2,166	867	2,524	1,420	
- Department for Education - Basic Needs	1,034	3,886	306	1,041	
- Department for Education - Devolved Formula Grant	1,040	1,091	504		
- Department for Education - Two Year Old Offer	553				
- Department for Education - Universal Infant Free School Meals		443			
- Department for Education - Other	181				
- Department for Transport - Transport Grant	5,090	6,663			
- Department for Transport - S31 Transport Grant			33,967	48,596	
- Department for Transport - Local Sustainability Transport Fund	183				
- Department for Transport - Other	541	1,169			
- Coast Protection	334	182	283	700	
- Single Housing Investment Pot	117	161			
- Cluster of Empty Homes Grant	392				
- Better Bus Fund	119				
- Department of Business, Innovation and Skills -Regional Growth Fund		5,440	1,700		
Grants from Other Public Bodies					
- European Grants	4,281	3,107	3,214		
- Heritage Lottery Fund	639	2,426	3,285	900	
- BIG Coastal Communities Fund	1,956	44			
- Homes and Communities Agency	1,267	2,551			
- Football Foundation	200				
- Sport England	150				
- Nexus	327	450			
- Clinical Commissioning Group	600				
Other External Funding	222	190	130		
Total External Sources	**60,533**	**76,045**	**72,149**	**68,013**	**11,500**
From Internal Sources					
Revenue Contributions					
- General Fund	2,320		570		
- People Services	18				
- Strategic Initiatives Budget	216				
Capital Receipts	689	500			
Reserves					
- Strategic Investment Reserve	1,012	929			
- Strategic Investment Plan Reserve	870	609			
- Unutilised RCCO Reserve	1,169	319	630	142	
- Port Reserve	150				
- Working Neighbourhoods Reserve	224	39	900	298	
- Modernisation Reserve		1,000			
- New Homes Bonus Reserve	488	958			
- Section 106 Reserve	255	323			
- Other Capital Reserves	255				
Total Internal Sources	**7,666**	**4,677**	**2,100**	**440**	
TOTAL CAPITAL FINANCING	**68,199**	**80,722**	**74,249**	**68,453**	**11,500**

LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVE AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Purchase of strategic assets within the City has enabled further regeneration within the City to take place. Main purchases in current year include land and buildings at Villiers and Nile Streets as part of a joint venture with the Homes Community Agency for the redevelopment of central Sunniside, as well as 187-193 High St West, Liverpool House acquired with a view to demolition and clearance and in order to provide a comprehensive development site including this prominent frontage building.
- Smarter Working has resulted in 18 building closures to date, a new community equipment store has been created and revenue savings delivered, enabled by capital investment.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

- The rationalisation of the property portfolio has resulted in the closure of 18 buildings and achieved £2.4m revenue efficiencies to date.
- Maximising external funding streams.
- Alternative funding and delivery methods (eg LABV).
- Efficiencies through improved procurement techniques and monitoring arrangements.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Demolition of Crowtree Leisure Centre is underway and works are scheduled for completion in 2014.
- Part of the former Vaux Site has been closed whilst St Mary's Boulevard is constructed. Remedial works are currently underway to divert live electrical cables. Works to grade back, make safe and reinstate walls and footpaths following the landslip will take place once the diversions are complete.
- St Mary's Boulevard & City Square - Works are progressing with the construction of the realigned highway and new city square, which are scheduled for completion in Autumn 2014.
- The Washington Business Centre scheme is almost complete and will provide a high quality managed workspace that will encourage the start-up of new, small and medium enterprises. The facility will offer support for their early growth by providing a purpose-built business centre.
- Smarter Working - the ongoing refurbishment of the Youth Offending Service building will enable the closure of Cassaton House in February 2014.
- Enterprise Zone Infrastructure - Feasibility and masterplanning works are now nearing completion and infrastructure requirements have now been established. It is anticipated that a planning application for a scheme of highway improvements to service the site will be submitted during 2014 with the development commencing on site in early 2015.
- Community Infrastructure Improvements project will allow small infrastructure works to be undertaken in the local communities.
- Investment Corridors programme will deliver physical improvements to the city centre helping to increase footfall and improve the attractiveness of the city centre as place in which to live and work by providing excellent public realm and supporting the development of new retail and leisure facilities.
- City Deal Development - Initial capital work will continue to be progressed in relation to the Councils bid for a City Deal. This allocation will be reviewed as plans for the city deal are progressed and finalised.

- Sunderland Railway Station Contribution - work with Network Rail will continue with the objective of securing commitment towards the redevelopment of the above ground concourse to Sunderland Station.

New Starts

- The acquisition of 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.
- Smaller infrastructure works to be completed within local communities which will also support the continued development and delivery of the Community Leadership model within the Council.

LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
MAIN BLOCK							
Continuing Projects	66,957	15,622	19,527	15,282	9,526	7,000	
Projects Commencing 2013/14	8,726		1,400	4,326	1,500	1,500	
Projects Commencing 2014/15	2,000			1,000	1,000		
Projects Commencing 2015/16	2,500				2,500		
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**80,183**	**15,622**	**20,927**	**20,608**	**14,526**	**8,500**	

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
FROM EXTERNAL SOURCES					
Loans					
- Unsupported Borrowing	13,963	13,628	11,312	8,500	
- Growing Places Fund	1,299	3,841			
European Grants	4,281	3,107	3,214		
Grants from Other Public Bodies - Clinical Commissioning Group	600				
Total External Sources	**20,143**	**20,576**	**14,526**	**8,500**	
FROM INTERNAL SOURCES					
Reserves					
- Strategic Investment Reserve	460	32			
- Unutilised RCCO Reserve	39				
- New Homes Bonus Reserve	59				
- Other Capital Reserves	226				
Total Internal Sources	**784**	**32**			
TOTAL FINANCING	**20,927**	**20,608**	**14,526**	**8,500**	

LEADER
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Continuing Projects								
	Strategic Economic Development								
CP0126	Ex Vaux Site Advance Site Works	F Serajian	1,466	1,054	380	32			
CP0136	Enterprise Zone Infrastructure	I Williams	21,000	15	313	5,873	7,799	7,000	
CP0127	Strategic Land Acquistion Provision	N Wood	3,059	1,425	1,634				
CP0137	Sunderland Railway Station Contribution	N Wood	3,000			3,000			
CP0138	St Mary's Boulevard & City Square	I Williams	11,864	1,580	6,172	3,935	177		
CP0139	Investment Corridors	F Serajian	4,000	6	2	2,442	1,550		
CP0140	City Centre Hotel Contribution	P Wilson	2,000		2,000				
CP0175	Demolition of Crowtree LC	F Serajian	2,968	22	2,946				
	Business Investment								
CP0129	Washington Business Centre	I Williams	6,040	189	5,851				
CP0130	Software Centre	I Williams	8,703	8,593	110				
	Strategic Improvement Programmes								
CP0132	Smarter Working	F Serajian	1,727	1,647	80				
	City Centre								
CP0134	City Centre Improvements	F Serajian	1,130	1,091	39				
TOTAL CONTINUING PROJECTS			**66,957**	**15,622**	**19,527**	**15,282**	**9,526**	**7,000**	
	Projects Commencing 2013/14								
	Strategic Improvement Programmes								
CP0132	Smarter Working	F Serajian	1,226		1,226				
CP0143	Community Infrastructure Improvements	L Clark	2,500			2,500			
	Strategic Economic Development								
CP0142	City Deal Development	V Taylor	5,000		174	1,826	1,500	1,500	
TOTAL PROJECTS COMMENCING 2013/14			**8,726**		**1,400**	**4,326**	**1,500**	**1,500**	
	Projects Commencing 2014/15								
	Strategic Economic Development								
CP0127	Strategic Land Acquistion Provision	N Wood	2,000			1,000	1,000		
TOTAL PROJECTS COMMENCING 2014/15			**2,000**			**1,000**	**1,000**		
	Projects Commencing 2015/16								
	Strategic Improvement Programmes								
CP0143	Community Infrastructure Improvements	L Clark	2,500				2,500		
TOTAL PROJECTS COMMENCING 2015/16			**2,500**				**2,500**		
TOTAL CAPITAL PROGRAMME			**80,183**	**15,622**	**20,927**	**20,608**	**14,526**	**8,500**	

DEPUTY LEADER
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- SAP Development - The development of functionality to support the provision of Financial and HR services for academies and Alternative Service Delivery Models.
- Call Manager Replacement - An upgrade to the Customer Service network telephony system has improved call recording and introduced advanced features such as automated switchboard facilities, delivering further efficiency savings within the council.
- Complaints and Freedom of Information Act - development of work flow within the Dynamics system, improving the efficiency of processes and reporting for Complaints and FOIs.
- Flexible Working Solutions - the delivery of enhanced security, including two factor authentication for accessing systems remotely.

KEY MEDIUM TERM PRIORITIES

- ICT medium term priorities include assisting the Council to meet its Smarter City objectives through the roll out of the Corporate Desktop which will provide a flexible, agile approach to computing resources.
- To facilitate efficiencies and improvements to IT systems and working practices within the Council.
- To deliver the IT work stream of the council’s Transformation Programme.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The programme contribute 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

- Modernisation Improvements - Employee Self Service involves the automation of the processes that underpin the HR and Payroll services through the use of interactive forms. This will reduce the volume of paper documentation that currently exists within the Shared Services area and will improve the quality of data within the HR system.
- Modernisation Improvements - Electronic Document Management involves 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.
- Digital Challenge will continue to improve digital skills across the city, in particular supporting the take up of services as they move to a self-service model delivered by the Internet. The funding will contribute to the continued roll out of superfast broadband across the city. This element will be delivered during 2014/15.
- SAP Archiving and Infrastructure - secure store of historical SAP records, improving the performance of the SAP Financial and HR systems.
- Corporate Computing Model - completion of the roll out of the virtual desk top across the council.
- 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.
- Revenue and Benefits System Phase 2 - The delivery of on-line benefits forms and the upgrade of the document imaging system associated to benefits claims.

New Starts

- Further IT developments are proposed that will enable efficiencies within the Council to take place and help services to meet necessary budget reductions.

DEPUTY LEADER
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
MAIN BLOCK							
Continuing Projects	13,530	11,358	574	1,598			
Projects Commencing 2013/14	143		143				
Projects Commencing 2014/15	1,000			1,000			
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**14,673**	**11,358**	**717**	**2,598**			

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
FROM EXTERNAL SOURCES					
Loans					
- Unsupported Borrowing	27				
Government Grants					
- Department for Communities and Local Government		463			
Total External Sources	**27**	**463**			
FROM INTERNAL SOURCES					
Capital Receipts		500			
Reserves					
- Strategic Investment Reserve	281	500			
- Strategic Investment Plan Reserve	228				
- Unutilised RCCO Reserve	181	135			
- Modernisation Reserve		1,000			
Total Internal Sources	**690**	**2,135**			
TOTAL FINANCING	**717**	**2,598**			

DEPUTY LEADER
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimated Payments				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	ICT								
CP0112	Telephony Upgrade	D Downey	1,917	1,912	5				
CP0113	Complaints and Freedom of Information Act	E Waugh	110	62	48				
CP0114	Flexible Working Solutions	D Downey	100	92	8				
CP0115	Digital Challenge	D Downey	3,426	2,963		463			
CP0168	SAP Infrastructure	D Downey	100	73	27				
CP0117	Revenue and Benefits system Phase 2	F Brown	400	172	228				
CP0116	SAP Archiving	D Downey	105			105			
CP0118	Call Manager Replacement	D Downey	277	247	30				
CP0119	Automated Court Bundle	E Waugh	30			30			
CP0120	Corporate Computing Model	D Downey	5,935	5,797	138				
CP0121	Network Upgrade	D Downey	30	7	23				
CP0122	Employee Self Service	D Downey	500			500			
CP0123	Electronic Document Management	D Downey	500			500			
CP0124	SAP Development	S Tognarelli	100	33	67				
TOTAL CONTINUING PROJECTS			**13,530**	**11,358**	**574**	**1,598**			
	Projects Commencing 2013/14								
	ICT								
CP0180	Corporate Computing Model Phase 2	D Downey	143		143				
TOTAL PROJECTS COMMENCING 2013/14			**143**		**143**				
	Projects Commencing 2014/15								
	ICT								
CP0181	IT Developments	D Downey	1,000			1,000			
TOTAL PROJECTS COMMENCING 2014/15			**1,000**			**1,000**			
TOTAL CAPITAL PROGRAMME			**14,673**	**11,358**	**717**	**2,598**			

CABINET SECRETARY
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVE AND 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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Port Harbour Mobile Crane - the Port took delivery of a new Liebherr 420 harbour mobile crane. It has a maximum lifting capacity of 120 tonnes compared with a previous capacity of 35 tonnes. This asset has enabled the Port to secure existing business in the offshore renewable energy and subsea engineering sectors and also to compete with neighbouring Ports for spot market opportunities.
- Provisions for Economic Development provides funding financial assistance in the form of grants for businesses to start up and grow through supporting investment in premises and equipment, linked to job creation. Statistics for the last full year of the programme (2012/13) have demonstrated that support was offered to 35 companies and from this it was projected that 639 full time equivalent jobs would be created. This in turn contributes to sustaining the local economy.
- Seafront Marine Walk Masterplan Phase 1 - Three Pods were installed at Roker in July 2013. Two of the Pods are being managed by the charity CEED for community and school uses, the third is being operated as a small cafe kiosk.
- The Property Planned Capital Maintenance programme has seen investment in more major building improvements including works to Civic Centre courtyard, boiler works and Aquatic centre, which together with property rationalisation is part of the longer term strategy to reduce the maintenance backlog.

KEY MEDIUM TERM PRIORITIES

- It is proposed to continue to invest in the Seafront public realm so as to improve its appearance and maintain its attractiveness both for continuing use by residents and visitors, and to ensure a high quality environment that will act as a catalyst for new investment in the area.
- Property Planned Capital Maintenance will allow ongoing investment in major capital works required to maintain a fit for purpose operational and administrative property portfolio. Coupled with a strategy to rationalise and dispose of property by smarter working and more efficient use of space, this ongoing capital investment stems the degradation of the retained portfolio and enables the disposal of surplus and un-sustainable elements of the portfolio.
- The Port Board’s Improvement Plan and the capital investment programme will enable the development of the Port, allowing further expansion of trading activity, commercial and strategic development, and improved capacity to maximise the market potential including inward investment opportunities on the Port estate.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- As part of continuing efforts to sustain the improvement of the trading position of the Port of Sunderland, investment in infrastructure and equipment will safeguard existing operational standards, reduce equipment hire costs and provide the necessary resources to enable the Port to better respond to market opportunities and spot trade which invariably come at short notice.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Seafront - Marine Walk Masterplan Phase 2 - The Coastal Communities funded project at Seaburn will deliver improvements to Whitburn Road in 2014, and landscape improvements to Cut Throat Dene. Further promenade improvements at Seaburn were completed early 2014.
- The Old Sunderland Townscape Heritage Initiative includes the renovation of The Orphanage (Grade II Listed building) and development of an extra care scheme in the grounds. This scheme will provide 38 apartments for people with a dementia diagnosis and new accommodation for the Community Association.
- Property Planned Capital Maintenance will tackle asbestos removal where works are not part of a specific scheme, an on-going programme to prevent the occurrence of legionella problems and statutory Electricity at Work regulations will ensure electrical installations are kept in a safe and sound condition.
- Accelerated Low Water Corrosion is affecting riverside and coastal structures supporting footpaths and other infrastructure. The programme of assessment and repair will prevent these structures from deteriorating and failing.

- Old North Pier specialist investigation to determine the best long term option to stabilise it is near completion and an option appraisal has been drafted to identify ongoing requirements.
- Roker Pier and Lighthouse - The restoration of the lantern house was completed in October 2013. In 2014 the pier deck will be surfaced and new railings installed. A second stage Heritage Lottery bid will be submitted in 2014 which, if successful, will allow further restoration works to the lighthouse and the tunnel and allow them to be opened to visitors.
- Port Infrastructure - Investment in additional Port infrastructure has allowed the Port to continue to access commercial opportunities as both its profile and reputation (as an easy place to do business) have grown. The creation of additional hard standing open storage areas have allowed the Port to handle increased volumes of spot steel import traffic and also to facilitate the storage of two offshore substations and ancillary cabling equipment for Eon's Humber Gateway offshore wind farm. On-going repair work on dock gates, road repairs, new and replacement lighting schemes and the purchase of miscellaneous capital plant and machinery will ensure the Port estate is maintained as an operational asset, reduce hire costs and continue to allow the Port to respond to market opportunities.

New Starts

- Further essential capital maintenance of No 1 gates at the Port has been identified to ensure the development and expansion of the commercial opportunities within the Port continue to improve its trading position.

CABINET SECRETARY
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.13	Estimated Payments				
			2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	23,298	5,301	9,619	5,108	1,090	1,090	1,090
Projects Commencing 2013/14	7,030	36	1,481	1,513	4,000		
Projects Commencing 2014/15	270			270			
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**30,598**	**5,337**	**11,100**	**6,891**	**5,090**	**1,090**	**1,090**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Loans					
- Unsupported Borrowing	5,287	6,821	5,090	1,090	1,090
Government Grants					
- BIG Coastal Communities Fund	1,956	44			
- English Heritage Lottery Grants	524	26			
Total External Sources	**7,767**	**6,891**	**5,090**	**1,090**	**1,090**
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	1,750				
Capital Receipts	583				
Reserves					
- Strategic Investment Reserve	158				
- Strategic Investment Plan Reserve	52				
- Unutilised RCCO Reserve	223				
- New Homes Bonus Reserve	417				
- Other Capital Reserves	150				
Total Internal Sources	**3,333**				
TOTAL FINANCING	**11,100**	**6,891**	**5,090**	**1,090**	**1,090**

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Continuing Projects								
	Port								
CP0093	Port Workshops Relocation	M Hunt	362	330	32				
CP0108	Dock Gate Capital Repairs	M Hunt	80	53	27				
CP0109	Tug Boat	M Hunt	150	111	39				
CP0152	Harbour Mobile Crane	M Hunt	3,000		3,000				
	Planning and Land Use								
CP0096	Old Sunderland Townscape Heritage Initiative	N Wood	2,327	834	1,493				
	Carbon Management								
CP0097	Solar PV Panels	F Serajian	722	712	10				
CP0179	Improving Energy Management of Buildings	F Serajian	150	108	42				
	Seafront								
CP0100	Seafront - Marine Walk Masterplan Ph1	N Wood	1,500	1,464	36				
CP0111	Roker Pier and Lighthouse	N Wood	1,403	60	405	938			
CP0100	Seafront - Marine Walk Masterplan Ph2	N Wood	4,179	259	2,040	1,880			
	Economic Development Grants								
CP0103	Provision for Economic Development	I Williams	4,225	478	987	690	690	690	690
	Management of Council Land and Buildings								
CP0106	Property Planned Capital Maintenance	F Serajian	5,000	892	1,508	1,400	400	400	400
CP0107	Low Water Corrosion / Riverside Repairs	F Serajian	200			200			
TOTAL CONTINUING PROJECTS			**23,298**	**5,301**	**9,619**	**5,108**	**1,090**	**1,090**	**1,090**
	Projects Commencing 2013/14								
	Seafront								
CP0144	Old North Pier Technical Investigation	L Clark	150		150				
	Port								
CP0145	Infrastructure	M Hunt	5,680		680	1,000	4,000		
CP0146	Dock Repairs	M Hunt	600		87	513			
CP0147	Road Repairs and Lighting	M Hunt	100	33	67				
CP0148	Miscellaneous Capital Plant and Equipment	M Hunt	500	3	497				
TOTAL PROJECTS COMMENCING 2013/14			**7,030**	**36**	**1,481**	**1,513**	**4,000**		

CABINET SECRETARY
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Projects Commencing 2014/15								
	Port								
CP0182	Dock Gates	M Hunt	270			270			
TOTAL PROJECTS COMMENCING 2014/15			**270**			**270**			
TOTAL CAPITAL PROGRAMME			**30,598**	**5,337**	**11,100**	**6,891**	**5,090**	**1,090**	**1,090**

CHILDREN'S SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Ongoing delivery of the Asset Management Strategy with capital works around roofing, window replacement, heating improvements, fire detection works, water hygiene improvements and health and safety issues addressed in a number of nursery, primary, secondary and special schools across the city.
- Increased primary capacity in Washington following the completion of phased works at Biddick Primary School and Lambton Primary School.
- Discontinuation of provision at Bishop Harland CE VA Primary School with nursery children now accommodated at Hylton Redhouse Nursery (expanded Summer 2013) and increased capacity Northern Saints CE VA Primary School (formally Hylton Redhouse Primary School - works ongoing).

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO 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

- Barbara Priestman Special School - Delivery of a new '6th Form Block' to be delivered in 2014/15.
- Lambton Primary and Biddick Primary - Further phased capital works to facilitate a capacity increase for the 2014/15 Reception Cohort.
- Continuation of capital works to meet asset management works identified in 2013/14.
- Delivery of capital works in relation to the Coalition's 'Two Year Old Offer'.
- Delivery of facilities at Farringdon Academy for commissioned ASD places.

New Starts

- Capital works to continue to provide window replacements, heating improvements, roofing works and urgent health and safety works at a number of maintained nursery, primary, secondary and special schools.
- Ongoing delivery of works associated with Priority Schools Building Programme (PSBP) at Hetton School, Hylton Castle Primary, Shiney Row Primary and Usworth Grange Primary including the delivery of a start-up initiative to replace furniture and heavy equipment in time for the opening of the new schools. Usworth Grange will be the first to be completed with delivery of the new school anticipated in October 2014. Remaining schools are anticipated to be completed by 2016. In the interim the schools will remain in the local authority's asset management programme.
- Capital works in relation to increased capacity in across the city's Primary Special sector with focus on increasing the number of commissioned ASD places.

- Development of facilities at Pallion Skills Centre to accommodate the Pupil Referral Unit's move from existing site at the Cheadle Centre.
- Delivery of capital works in relation to the Coalition's 'Universal Infant Free School Meals Offer' with priorities addressing poor/undersupply of kitchens in Infant/ Primary schools in Sunderland. £0.443m Capital grant has been provided by the Coalition Government for this purpose, but the budget for these works will be £0.750m to reflect the full kitchen capital requirements to achieve this agenda, with the balance funded from Capital Maintenance grant.

CHILDREN'S SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.13	Estimated Payments				
			2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	21,802	14,247	3,941	3,614			
Projects Commencing 2013/14	4,502		1,053	1,118	2,331		
Projects Commencing 2014/15	3,978			1,555	1,003	1,420	
Projects Commencing 2015/16	508					508	
Projects Commencing 2016/17	533					533	
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**31,323**	**14,247**	**4,994**	**6,287**	**3,334**	**2,461**	

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Loans					
- Department for Education - Capital Maintenance	2,166	867	2,524	1,420	
- Department for Education - Basic Needs	1,034	3,886	306	1,041	
- Department for Education - Other - Standards Fund	100				
- Department for Education - Devolved Formula Grant	1,040	1,091	504		
- Department for Education - Other - Short Breaks	81				
- Department for Education - Other - Two Year Old Offer	553				
- Department for Education - Universal Infant Free School Meals		443			
Total External Sources	**4,974**	**6,287**	**3,334**	**2,461**	
FROM INTERNAL SOURCES					
Reserves					
- Strategic Investment Reserve					
- Unutilised RCCO Reserve	20				
Total Internal Sources	**20**				
TOTAL FINANCING	**4,994**	**6,287**	**3,334**	**2,461**	

CHILDREN'S SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Continuing Projects								
	DFC								
CP0085	Schools Devolved Capital to 2012/13	B Scanlon	8,091	6,563	1,040	488			
	Asset Management								
CP0155	Barbara Priestman School - Specialist Status	C Barker	100		100				
CP0088	Primary School Asset Management - Allocations to 2012/13	B Scanlon	7,515	3,439	1,850	2,226			
CP0088	Secondary School Asset Management - Allocations to 2012/13	B Scanlon	4,361	4,061	300				
CP0088	Nursery School Asset Management - Allocations to 2012/13	B Scanlon	150		150				
CP0088	Special School Asset Management - Allocations to 2012/13	B Scanlon	1,025		300	725			
CP0088	EAW - School Asset Management - Allocations to 2012/13	B Scanlon	275		100	175			
	Other								
CP0089	Capita One V4 Upgrade	B Scanlon	185	165	20				
CP0092	Short Breaks Provision for Disabled Children	B Scanlon	100	19	81				
TOTAL CONTINUING PROJECTS			**21,802**	**14,247**	**3,941**	**3,614**			
	Projects Commencing 2013/14								
	DFC								
CP0085	Schools Devolved Capital 2013/14 allocation	B Scanlon	603			603			
	Asset Management								
CP0088	Secondary School Asset Management - 2013/14 Allocation	B Scanlon	350				350		
CP0088	Primary School Asset Management - 2013/14 Allocation	B Scanlon	1,681			515	1,166		
CP0088	Nursery School Asset Management - 2013/14 Allocation	B Scanlon	230				230		
CP0088	School Asset Management Programmes - unallocated - 2013/14 Allocation	B Scanlon	1,015		500		515		
	Other								
CP0088	Derwent Hill	B Scanlon	70				70		
CP0154	Two Year Old Offer	B Scanlon	553		553				
TOTAL PROJECTS COMMENCING 2013/14			**4,502**		**1,053**	**1,118**	**2,331**		

CHILDREN'S SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.13 £'000	Estimated Payments 2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Projects Commencing 2014/15								
	Asset Management								
CP0085	Schools Devolved Capital 2014/15 allocation	B Scanlon	504				504		
CP0088	School Asset Management Programmes - unallocated - 2014/15 Allocation	B Scanlon	2,724			805	499	1,420	
	Other								
CP0190	Universal Infant Free School Meals	B Scanlon	750			750			
TOTAL PROJECTS COMMENCING 2014/15			**3,978**			**1,555**	**1,003**	**1,420**	
	Projects Commencing 2015/16								
CP0088	School Asset Management Programmes - unallocated - 2015/16 Allocation	B Scanlon	508					508	
TOTAL PROJECTS COMMENCING 2015/16			**508**					**508**	
	Projects Commencing 2016/17								
CP0088	School Asset Management Programmes - unallocated - 2016/14 Allocation	B Scanlon	533					533	
TOTAL PROJECTS COMMENCING 2016/17			**533**					**533**	
TOTAL CAPITAL PROGRAMME			**31,323**	**14,247**	**4,994**	**6,287**	**3,334**	**2,461**	

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- 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.
- Continue the delivery of Disabled Facilities Grants.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Area Renewal programme has contributed towards a sustainable community and neighbourhood through an increase in housing choice with the development of 65 new housing units in Phase 2 in Castletown which was completed in October 2013. There have been 2 additional acquisitions of land and homes at Hetton Downs through SHIP and Homes and Communities Agency (HCA) funding. These have contributed to site assembly for new housing.
- Empty Properties Fund – 4 empty homes have been refurbished and have been reoccupied through DCLG/HCA and Council New Homes Bonus Funding.
- 522 Disabled Facilities Grants have been awarded to date in 2013/2014 allowing much needed adaptations to be carried out to properties.

KEY MEDIUM TERM PRIORITIES

Area Renewals.

- 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.
- Encourage more private landlords to become accredited and raise housing conditions and standards in the private sector.

Bring empty properties back into use.

- The Regional Loans Programme will be under review in 2014/2015 as attempts are made to attract further funding to enable a 'revolving loan fund' that was initially anticipated. The programme is now linking with Warm Up North as there are benefits to each programme to work together to best support the residents of the City
- Ensure the Regional Loans Scheme work fits with the Housing Financial Assistance Policy that is currently out for consultation with residents (to 31/1/2014) and meets the requirements subsequently endorsed by the HHAS Scrutiny Panel.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The Regional Loan Scheme Programme enables a number of homeowners to remain in their own homes and is therefore linked to health services and public health, therefore there are hidden financial benefits that data may be able to capture going forward.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Area Renewal continues with the acquisition of properties at Maudlin Street, the Springboard property, the former Dairy, the Elizabeth Fleming Care Home and Gentoo sites at Hetton Downs. A feasibility study is currently underway in Fairy, Edward and Caroline Streets in Hetton Downs which will provide a preferred option for intervention and investment in the street. This may include DECC funding and S106 affordable homes funding.
- Empty Homes Clusters Scheme - New Homes Bonus and HCA funding has been awarded to refurbish 70 properties by March 2015. To date 4 homes have been refurbished with 29 applications going through the process.

- Back on the Map has been provided of £0.327m to acquire and refurbish 5 empty properties to rehouse homeless families.
- £0.250m is available for equity loans for owners of empty properties to refurbish them and bring them back into use.
- Decent homes assistance linked to the Financial Assistance Policy – as at January 2014 a total of 21 loans have been given to homeowners in Sunderland to ensure their homes meets the decent homes standard. The loans repaid by homeowners to the Loans Administrator, are re-invested back so are available for other potential homeowners. Sunderland City Council acts as lead authority for the 12 NE Local Authorities participating in the scheme.

New Starts

- Disabled Facilities Grants carry out adaptations to disabled person's properties helps to ensure that people can remain in their own properties for as long as possible in a safe and secure environment.

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HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.13	Estimated Payments				
			2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	13,050	7,315	1,974	3,761			
Projects Commencing 2013/14	2,512		2,512				
Projects Commencing 2014/15	2,496			2,496			
Projects Commencing 2015/16	3,360				3,360		
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**21,418**	**7,315**	**4,486**	**6,257**	**3,360**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Government Grants					
- Department for Communities and Local Government - Disabled Facilities Grant	1,417	1,467	1,787		
- Department of Health Grants General	300	926	873		
- Department of Health ICT Grant	377	25			
- Single Housing Investment Pot	117	161			
- Cluster of Empty Homes Grant	392				
- Homes and Communities Agency	1,142	2,551			
Other External Funding	130	130	130		
Total External Sources	**3,875**	**5,260**	**2,790**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- General Fund	570		570		
Reserves					
- Working Neighbourhoods Reserve		39			
- New Homes Bonus Reserve	12	958			
- Other Capital Reserves	29				
Total Internal Sources	**611**	**997**	**570**		
TOTAL FINANCING	**4,486**	**6,257**	**3,360**		

HEALTH, HOUSING AND ADULT SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimated Payments				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Adult Services								
CP0060	Swift Enhancements	G King	820	762	58				
CP0061	Managing Income	G King	22	12	10				
CP0062	Telecare	G King	100		75	25			
CP0063	Adults Information System	G King	50	8	42				
CP0064	Document Management System (Road Map)	G King	100	66	34				
CP0065	Private Sector Renewal Grants	A Caddick	300	283	17				
CP0066	Mobile Portal	G King	200	182	18				
CP0069	Sunderland Energy Efficiency Program (SEEP)	A Caddick	86	57	29				
CP0078	Minor Works (Improvements to Care and Support)	G King	150	139		11			
CP0081	Regional Loans Scheme	A Caddick	100		45	55			
	Housing Services								
CP0071	Eppleton (SHIP)	A Caddick	1,058	848	49	161			
CP0072	Hetton Downs (HCA)	A Caddick	8,038	4,345	1,142	2,551			
CP0073	Castletown Block Improvements	A Caddick	623	572	51				
CP0077	Empty Property Action Plan	A Caddick	752	41	145	566			
CP0083	Cluster of Empty Homes	A Caddick	651		259	392			
TOTAL CONTINUING PROJECTS			**13,050**	**7,315**	**1,974**	**3,761**			
	Projects Commencing 2013/14								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	G King	150		150				
CP0079	Document Management System (Road Map)	G King	16		16				
CP0080	Disabled Facilities Grants 2013/14	A Caddick	2,346		2,346				
TOTAL PROJECTS COMMENCING 2013/14			**2,512**		**2,512**				
	Projects Commencing 2014/15								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	G King	150			150			
CP0080	Disabled Facilities Grants 2014/15	A Caddick	2,346			2,346			
TOTAL PROJECTS COMMENCING 2014/15			**2,496**			**2,496**			
	Projects Commencing 2015/16								
	Adult Services								
CP0078	Minor Works (Improvements to Care and Support)	G King	150				150		
CP0080	Disabled Facilities Grants 2015/16	A Caddick	2,487				2,487		
CP0157	Reablement Services	A Caddick	723				723		
TOTAL PROJECTS COMMENCING 2015/16			**3,360**				**3,360**		
TOTAL CAPITAL PROGRAMME			**21,418**	**7,315**	**4,486**	**6,257**	**3,360**		

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Library redesign works have seen improved access to services which include, updated ICT provision, the introduction of the e-book and e-audio book service and free wi-fi in static libraries.
- The North East Land, Sea and Air Musuem (NELSAM) Display and Warehouse has contributed to the development of a tram shed extension.
- The Hylton Castle Redevelopment will support a phase two bid to the Heritage Lottery Fund to repair, redevelop and rejuvenate the medieval Gatehouse, providing a centre for interpretation, events, exhibitions and activities that will reconnect the history of the castle with the community and the city.
- The new changing pavilion at Northern Area Playing Fields has provided a sustainable facility and base from which Washington AFC can provide football development opportunities for a range of age groups.
- The new changing pavilion at Billy Hardy Sports Complex has provided a sustainable facility and base from which local football teams and cricket teams can provide sport development opportunities for a range of age groups.
- Roker illuminations Investment in additional lighting - including the unique Alice in Wonderland feature enabled the Council to build on the success of the 2012/2013 Illuminations. Thousands of visitors, recording consistently high satisfaction levels, enjoyed an enriched experience within Roker Park and outside of it as lighting was extended beyond the Park itself.

KEY MEDIUM TERM PRIORITIES

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

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

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

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Continued work for the provision of a replacement leisure centre within Washington, which will feature an indoor sports hall, a 25m swimming pool, learner pool, Wellness Centre, steam/sauna and outdoor football facilities. The replacement facility will open in 2015.
- Continued commitment to support the Bowes Railway Museum's wagon shop repairs.
- St Peter's Rubic Realm - the landscape vision project will deliver environmental improvements to the surrounds of St Peter's church, including works to interpret the monastic footprint and new feature lighting to the Church.

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.13	Estimated Payments				
			2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	14,371	480	3,664	9,270	957		
Projects Commencing 2013/14	889		889				
Projects Commencing 2014/15							
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**15,260**	**480**	**4,553**	**9,270**	**957**		

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
FROM EXTERNAL SOURCES					
Loans					
- Unsupported Borrowing	2,886	9,270	957		
Grants from Other Public Bodies					
- English Heritage Lottery Grants	115				
- Football Foundation	200				
- Sport England	150				
Other External Funding	74				
Total External Sources	**3,425**	**9,270**	**957**		
FROM INTERNAL SOURCES					
Revenue Contributions					
- People's Services	18				
Reserves					
- Strategic Investment Reserve	100				
- Strategic Investment Plan Reserve	590				
- Unutilised RCCO Reserve	146				
- Working Neighbourhood Reserve	224				
- Section 106 Reserve	50				
Total Internal Sources	**1,128**				
TOTAL FINANCING	**4,553**	**9,270**	**957**		

PUBLIC HEALTH, WELLNESS AND CULTURE
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimated Payments				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Sports Facilities								
CP0044	Billy Hardy Pavillion (FF)	J Gray	553	99	454				
CP0044	Northern Area Pavillion (FF)	J Gray	560		560				
CP0049	Football Pavillion Improvements Leyburn Grove	J Gray	70	2	68				
CP0053	Washington Leisure Centre	J Gray	11,300	244	2,047	8,052	957		
	Culture and Tourism								
CP0051	St Peter's Public Realm	N Wood	1,700	82	400	1,218			
CP0052	Bowes Railway Museum Wagonshop Repairs	J Gray	35		35				
CP0178	Stadium Aquatic Centre	M Poulter	153	53	100				
TOTAL CONTINUING PROJECTS			**14,371**	**480**	**3,664**	**9,270**	**957**		
	Projects Commencing 2013/14								
CP0158	Library Redesign	J Gray	500		500				
CP0176	Hylton Castle Redevelopment	J Gray	165		165				
CP0177	Roker Illuminations	J Gray	128		128				
CP0171	North East Land, Sea and Air Museum Display & Warehouse	J Gray	96		96				
TOTAL PROJECTS COMMENCING 2013/14			**889**		**889**				
TOTAL CAPITAL PROGRAMME			**15,260**	**480**	**4,553**	**9,270**	**957**		

CITY SERVICES
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Maintaining the existing highway including its bridges and structures in a safe and serviceable condition.
- Securing the safe and efficient movement and appropriate access for goods and people using the city's highways.
- Securing improvements to existing highways and the construction of new highways.
- Maintaining and enhancing coastal and seafront structures.
- Sourcing funding and establishing key partnerships to further develop the Council's play and urban games facilities for children and young people.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

Transport:

The following schemes have been completed, or are expected to have been completed, by the end of March 2014;

- Completion of the Highway Maintenance Programme which included over 80 road strengthening and footway reconstruction schemes.
- Bridge Maintenance – Completion of Penshaw Bridge refurbishment scheme.
- Cycle Improvement Schemes: Refurbishment of Coast to Coast (C2C) Cycleway at Sunderland Enterprise Park/Southwick/St Peters and construction of Trans Sunderland Cycle Route Phase 1 A1290.
- Design and implementation of traffic improvement schemes at Leechmere Road, North Road, Barmston Village perimeter road, A183 Whitburn Road (St Peter's Way to City boundary) and Durham Road (City Centre to A19).
- Consultation on and development of 20mph Zones in Silksworth, Plains Farm and Marley Pots.
- New Traffic Signals at the junction of Washington Road and Ferryboat Lane.
- Refurbishment of Traffic Signals at the junctions of Newcastle Road / Thompson Road (The Grange) and Toward Road/ Park Road.
- Better Bus Area Scheme - Borough Road Improvements which included carriageway widening to provide two way bus traffic between Fawcett Street and Frederick Street, in order to reduce bus journey distances and vehicle emissions.
- Public Transport Schemes - Minor Bus Improvements and Green Terrace Improvements involving one way traffic flow (north) and the reallocation of road space to reduce parking problems and improve access.
- Parking Management Systems at Sunderland Royal Hospital and Stadium of Light.
- Vehicle Actuated Signs – Implementation and rotation programme targeting sites in every Ward throughout the City.
- Electric Vehicle Recharging Points – continuing with installation of electric vehicle charging points in Sunderland.
- CCTV Road Safety and Enforcement Vehicle (Camera Car) – assisting in the enforcement of parking restrictions outside schools, on pedestrian crossings, bus stop clearways, cycle lanes and Loading Bays.
- Clean Bus Technology Fund - Sunderland City Council and Durham County Council were jointly awarded a grant from Department for Transport's Clean Bus Technology Fund (CBTF) for bus operator Go North East to retrofit 19 buses that run between Sunderland and Durham. The retrofitted technology will help reduce emissions from buses and improve air quality.

Flood and Extreme Weather Mitigation

- Improvements to flow at Bog Row Footbridge, The Quay, Hetton.
- Completion of Hendon Burn Culvert Flood Risk Assessment.
- Completion of Deptford Culvert Flood Risk Assessment.
- Drainage improvements at various locations including Dunelm Drive, Osman Terrace, Rachel Close, Coach Road Estate, North Hylton Road, Springwell Road, Blind Lane.

Parks

- Roads and footpaths in the events area at Herrington Country Park have been replaced with a durable metalled surface to enable planned events to proceed whilst minimising damage to structures within the park.

Play Provision:

- Play area upgrades have been completed at Kirklee, Hylton Castle, South Hylton and Oxclose and a new wheeled sports park has been developed at Community North Sports Complex.

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.
- 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 West Wear Street at the south side of the Wearmouth Bridge to the A19/A1231 including a new Wear Bridge crossing.
- Deliver the Local Sustainable Transport Fund (LSTF) project to support economic growth and reduce carbon emissions, delivering cleaner environments and improved air quality, enhanced safety and reduced congestion.
- Development of a programme of flood defence 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

- Continue the programme of investment in schemes to improve the safety of highway users.
- Improvements to pedestrian and cycling facilities and safer routes to schools through the Local Sustainable Transport Fund.
- Commence the construction of the first phase of the Sunderland Strategic Transport Corridor (New Wear Bridge).
- Continue the programme of investment in schemes to improve conditions for cyclists and to promote sustainable transport.
- Continue the programme of investment in schemes to improve the condition of highways and their structures.
- Development of Route Action Plans for highway network management enhancements including Pinch Point schemes at the A19/A690 and A19/A183 junctions.
- Continue the programme of Public Transport Initiatives.
- Coast protection works to prevent coastal erosion and flooding that may adversely impact residential and business properties.
- Works to mitigate the effect of extreme weather conditions such as the installation of new drainage systems, repair highways drainage networks, consolidation of unstable land and creating physical barriers for surface water to run off land.
- The new waste transfer station at Jack Crawford House is almost complete, from which waste from the City will be taken to the new 'energy from waste plant' on Teesside under the new PFI contact from early 2014/15. This will reduce the Council need for landfill to less than 5% of waste produced.
- Works to improve the physical appearance of Sunderland Crematorium.
- The regeneration of Rectory Park in Houghton to be carried out subject to successful Heritage Lottery Fund grant applications.

New Starts

- Low Carbon Enterprise Zone Transport Infrastructure including development of Route Action Plans for highway network management enhancements for Local Pinch Point funded schemes at the A19/A690 and A19/A183 junctions. Preparatory design work is currently underway. Also works funded by the Regional Growth Fund to improve transport infrastructure including A19/A1290 junction signalisation, A1290 Nissan Access signal improvements, A1290/Cherry Blossom Way signalisation and associated pedestrian and cycleway improvements.
- Replacement of safety fences at priority locations identified, to ensure that public safety is not compromised.
- Replacement of fleet vehicles and plant including gritters, tandem vibration rollers and precinct paving scrubbers.

CITY SERVICES
CAPITAL PROGRAMME

- Replacement of 3 electric cremators which are reaching the end of their operational life with more modern and efficient versions.
- Renew funding for Flood and Extreme weather allocation to provide the installation of new drainage systems, repair of highways drainage networks and creating physical barriers for surface run off from land. This takes into account the requirement of use of the current allocation to repair storm damaged walls at Seaburn.
- Continue a programme of play and urban games investment to maintain the standard of the city's existing play areas using Section 106 developer contributions.

CITY SERVICES
CAPITAL PROGRAMME

SUMMARY

Project Description	**Gross Cost**	**Expend to 31.3.13**	**Estimated Payments**				
			2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
MAIN BLOCK							
Continuing Projects	174,183	59,095	3,793	10,806	36,317	54,362	9,810
Projects Commencing 2013/14	19,303		12,693	2,310	2,100	1,600	600
Projects Commencing 2014/15	15,965			13,195	2,330	440	
Projects Commencing 2015/16	900				900		
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**210,351**	**59,095**	**16,486**	**26,311**	**41,647**	**56,402**	**10,410**

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	**Estimated Resources**				
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
FROM EXTERNAL SOURCES					
Loans - Unsupported Borrowing	9,265	9,934	3,267	5,766	10,410
Government Grants					
- Department for Transport - Local Transport Plan Grant	5,090	6,663			
- Department for Transport - S31 Transport Grant			33,967	48,596	
- Department for Transport - Local Sustainability Transport Fund	183				
- Department for Transport - Other	541	1,169			
- Coast Protection	334	182	283	700	
- Better Bus Fund	119				
- Department of Business, Innovation and Skills - Regional Growth Fund		5,440	1,700		
Grants from Other Public Bodies					
- English Heritage Lottery Grants		900	900	900	
- Homes and Communities Agency	125				
- Nexus	327	450			
Other External Funding	18	60			
Total External Sources	**16,002**	**24,798**	**40,117**	**55,962**	**10,410**
FROM INTERNAL SOURCES					
Revenue Contributions					
- Strategic Initiatives Budget	216				
Reserves					
- Strategic Investment Reserve	13	397			
- Strategic Investment Plan Reserve		609			
- Unutilised RCCO Reserve	50	184	630	142	
- Working Neighbourhoods Reserve			900	298	
- Section 106 Reserve	205	323			
Total Internal Sources	**484**	**1,513**	**1,530**	**440**	
TOTAL FINANCING	**16,486**	**26,311**	**41,647**	**56,402**	**10,410**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimated Payments				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Major Highway Schemes								
CP0001	Southern Radial Route	L Clark	40,861	40,472	151	238			
CP0002	Central Route - Scheme Development & Land Costs	L Clark	2,215	1,854		361			
CP0003	SSTC Ph2 (New Wear Bridge)	L Clark	117,642	10,983	783	10,007	33,967	52,092	9,810
	Local Transport Plan								
CP0004	Penshaw Bridge	L Clark	1,054	837	217				
CP0005	Integrated Transport - Electric Vehicle Charging Points	L Clark	163	129	34				
CP0024	Highway Maintenance	L Clark	2,326	2,286	40				
CP0025	Bridge Maintenance	L Clark	252	43	209				
CP0026	Integrated Transport - Economy	L Clark	808	429	379				
CP0027	Integrated Transport - Place	L Clark	829	492	337				
CP0028	Integrated Transport - People	L Clark	753	548	205				
CP0036	Additional Transport Priorities	L Clark	2,000				1,000	1,000	
CP0030	Local Sustainable Transport Fund - Safer School Routes	L Clark	236	53	183				
CP0032	Upgrade of C2C Cycleway (HCA)	L Clark	542	417	125				
CP0033	Coalfields Cycle Route	L Clark	60		60				
	Better Bus Areas Fund :-								
CP0034	Borough Road	L Clark	631	301	330				
	Parks								
CP0037	Thompson Park - Former Park Keepers House	F Serajian	49	2	47				
	Street Scene								
CP0009	Private Street works	L Clark	50		50				
CP0040	Waste Containers	L Clark	175	162	13				
	Coast Protection								
CP0015	Deptford Culvert Flood Risk Assessment	L Clark	24	2	22				
CP0016	Hendon Burn Culvert Safety Works	L Clark	364	81	283				
CP0017	Hendon Burn Culvert Flood Risk Assessment	L Clark	21	4	17				
CP0038	South Bents to Seaburn (SF1)	L Clark	120		120				
CP0039	Hendon Foreshore Barrier	L Clark	1,460			100	700	660	
CP0159	Port Revetments and Stone Hill Wall	L Clark	1,360			100	650	610	
	Play Provision								
	Play and Urban Games Strategy :								
CP0022	Kirklee Field	J Gray	100		100				
CP0023	North Area Skate Park	J Gray	88		88				
TOTAL CONTINUING PROJECTS			**174,183**	**59,095**	**3,793**	**10,806**	**36,317**	**54,362**	**9,810**

CITY SERVICES
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimated Payments				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Projects Commencing 2013/14								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	5,257		2,857	600	600	600	600
CP0025	Bridge Maintenance	L Clark	600		600				
CP0026	Integrated Transport - Economy	L Clark	863		843	20			
CP0027	Integrated Transport - Place	L Clark	560		465	95			
CP0028	Integrated Transport - People	L Clark	879		879				
CP0006	Public Transport Schemes	L Clark	187		187				
CP0163	Houghton Cut Safety Works	L Clark	30		30				
CP0007	Local Safety Schemes (SIB/SIP)	L Clark	30		30				
CP0173	Clean Bus Technology Fund	L Clark	276		276				
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	1,630		600	530	500		
	Street Scene								
CP0165	Waste Transfer Station	L Clark	5,701		5,701				
CP0161	Improvements to the Crematorium	L Clark	140			140			
	Parks								
CP0162	Herrington Park Infrastructure	L Clark	150		150				
CP0164	Parks Improvement	L Clark	3,000		75	925	1,000	1,000	
TOTAL PROJECTS COMMENCING 2013/14			**19,303**		**12,693**	**2,310**	**2,100**	**1,600**	**600**
	Projects Commencing 2014/15								
	Local Transport Plan								
CP0024	Highway Maintenance	L Clark	2,175			2,175			
CP0025	Bridge Maintenance	L Clark	350			350			
CP0026	Integrated Transport - Economy	L Clark	548			548			
CP0027	Integrated Transport - Place	L Clark	444			444			
CP0028	Integrated Transport - People	L Clark	545			545			
CP0006	Public Transport Schemes	L Clark	450			450			
CP0187	Low Carbon Enterprise Zone Transport Infrastructure	L Clark	8,810			7,110	1,700		
CP0184	Safety Fencing Replacement	L Clark	200			200			
	Flood & Coast Risk Management								
CP0160	Flood and Extreme Weather Mitigation	L Clark	500			500			
	Street Scene								
CP0185	Fleet Replacement	L Clark	1,560			490	630	440	
	Play Provision								
CP0189	Other Play Provision Schemes	J Gray	383			383			
TOTAL PROJECTS COMMENCING 2014/15			**15,965**			**13,195**	**2,330**	**440**	
	Projects Commencing 2015/16								
	Street Scene								
CP0186	Replacement of Cremators	L Clark	900				900		
TOTAL PROJECTS COMMENCING 2015/16			**900**				**900**		
TOTAL CAPITAL PROGRAMME			**210,351**	**59,095**	**16,486**	**26,311**	**41,647**	**56,402**	**10,410**

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES AND STRATEGIC PRIORITIES

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

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

It aims to do this by:

- Continuing to provide and develop the infrastructure that supports the delivery of the Council's improvement priorities.
- Providing a seamless customer interface across all channels of access that resolves demand at the earliest possible opportunity and at the lowest cost to the Council providing accessible, consistent, responsive and high quality services.

OUTCOMES FROM COMPLETED CAPITAL SCHEMES

- Enhanced telephony platform implemented, resulting in compliance with statutory requirements, increased self-serve and the realisation of efficiency savings.
- Development of the customer services technology platform resulting in significant improvements to the customer experience, increased self-serve and the realisation of efficiency savings.

KEY MEDIUM TERM PRIORITIES

- Implementation of the Customer Service and Access Strategy action plan key principles.
- Delivery of the Customer Services Work programme.

HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

- The delivery of integrated customer services supports value for money by increasing first point of contact resolution, leading to less dual handling and increased 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.

CAPITAL INVESTMENTS FOR THE YEAR AHEAD

Ongoing Commitments

- Ongoing provision and development of the customer services technology platform to continue to improve the quality and accessibility of services.

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

SUMMARY

Project Description	Gross Cost	Expend to 31.3.13	Estimated Payments				
			2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAIN BLOCK							
Continuing Projects	910	294	616				
Projects Commencing 2013/14							
Projects Commencing 2014/15							
Projects Commencing 2015/16							
Projects Commencing 2016/17							
Projects Commencing 2017/18							
TOTAL CAPITAL EXPENDITURE	**910**	**294**	**616**				

METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE

Source of Finance	Estimated Resources				
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
FROM INTERNAL SOURCES					
Reserves					
- Unutilised RCCO Reserve	510				
Capital Receipts	106				
Total Internal Sources	**616**				
TOTAL FINANCING	**616**				

RESPONSIVE SERVICES AND CUSTOMER CARE
CAPITAL PROGRAMME

Project Ref	Project Description	Project Sponsor	Gross Cost	Expend to 31.3.13	Estimate Resources				
					2013/14	2014/15	2015/16	2016/17	2017/18
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Continuing Projects								
	Customer Care								
CP0057	Customer Service Network Platform	L St Louis	910	294	616				
TOTAL CONTINUING PROJECTS			**910**	**294**	**616**				
TOTAL CAPITAL PROGRAMME			**910**	**294**	**616**				

Appendix 4

Prudential and Treasury Indicators 2014/2015 to 2016/2017

All of the prudential indicators fully reflect the requirements of International Financial Reporting Standards (IFRS) which were introduced from 1st April 2010. Should any of the Council's prudential indicators be exceeded during the year then they will be reported to Cabinet and where appropriate full Council at the next appropriate meeting following the change.

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

P1 Actual capital expenditure incurred in 2012/2013 was £53.806 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Estimated Capital Expenditure	68,199	80,722	74,249	68,453

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 2012/2013 are:

Ratio of financing costs to net revenue stream

2012/2013 Actual	2013/2014 Estimate	2014/2015 Estimate	2015/2016 Estimate	2016/2017 Estimate
6.26%	7.12%	8.98%	11.47%	14.12%

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

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 2013 are:

Capital Financing Requirement

31/03/13 £000 Actual	31/03/14 £000 Estimate	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate
259,473	285,225	334,152	347,502	355,614

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

The Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases). Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £29.642 million of such schemes included in its Capital Financing Requirement at 31st March 2013.

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 (indicator revised in 2012):

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

The Authority had no difficulty meeting this requirement in 2012/2013, 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 2014/2015.

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 Head of Financial Resources, 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			
	2013/2014 £000	**2014/2015 £000**	**2015/2016 £000**	**2016/2017 £000**
Borrowing	342,396	410,945	417,001	427,009
Other long term liabilities	34,928	29,178	28,508	27,909
Total	**377,324**	**440,123**	**445,509**	**454,918**

The Head of Financial Resources 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 Head of Financial Resources also confirms that they are based on the estimate of most likely, prudent, but not worst case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

It should be noted that the Council 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.

In taking its decisions on the Revenue Budget and Capital Programme for 2014/2015, the Council is asked to note that the authorised limit determined for 2014/2015, (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, and equates to the projected maximum external debt. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also requested to delegate authority to the Head of Financial Resources, 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			
	2013/2014	**2014/2015**	**2015/2016**	**2016/2017**
	£000	**£000**	**£000**	**£000**
Borrowing	304,083	302,575	314,868	318,917
Other long term liabilities	34,928	29,178	28,508	27,909
Total	**339,011**	**331,753**	**343,376**	**346,826**

P7 The Council's actual external debt at 31st March 2013 was £245.235 million and was made up of actual borrowing of £215.583 million and actual other long term liabilities of £29.642 million

The Council includes an element for long-term liabilities relating to PFI schemes and finance leases in its calculation of the operational and authorised boundaries to allow further flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at any one point in time and allowance needs to be made for cash flow variations.

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

	For Band D Council Tax	
2014/2015	**2015/2016**	**2016/2017**
£0.54	£3.52	£7.68

The estimates show the net revenue effect of all capital expenditure from all schemes commencing in 2014/2015 and the following two financial years.

These are forward estimates that the Council is not committed to. They are based on the existing commitments, current plans and the capital plans detailed in this report. The cumulative effect of full year debt charges will have an additional impact of £7.68 in 2017/2018. There are no known significant variations beyond the above timeframe that would result from past events and decisions or the proposals in the budget report.

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

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

(a) capital expenditure plans are affordable;

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

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

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

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

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

(e) local strategic planning;

(f) local asset management planning;

(g) proper option appraisal.

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

CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2014/2015 to 2016/2017

P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £250 million in 2014/2015, £240 million in 2015/2016 and £255 million in 2016/2017.

P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £60 million in 2014/2015, £60 million in 2015/2016 and £50 million in 2016/2017.

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 (2014/2015, 2015/2016 and 2016/2017) for long term investments, (those over 364 days), made by the authority. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. Type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 7).

At present the Council has £16.787 million of long-term investments. This is £16.767 million for the value of share capital held in NIAL Holdings PLC. This equates to a 9.62% share in Newcastle International Airport. The Council also holds £0.020 million in government securities, other shares and unit trusts.

Minimum Revenue Provision Policy Statement 2014/2015

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

1.1 Provision for the repayment of debt is considered to be prudent where the period of repayment is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Grant, reasonably commensurate with the period implicit in the determination of that grant. The major proportion of the MRP for 2014/2015 will relate to the supported historic debt liability.

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

- Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008.
- Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%.
- Option 3 – Asset Life Method: amortising expenditure over an estimated useful life for the relevant assets created. An assessment must be made of the asset life at the outset of the capital scheme and MRP is charged to revenue in either equal annual instalments or by an annuity method over the estimated life of the asset. The MRP charge will commence in the financial year following the one in which the asset comes into service.
- Option 4 – Depreciation Method: making charges to revenue in accordance with the standard rules for depreciation accounting for the particular asset being created or enhanced.

1.3 Estimated life periods will be determined under delegated powers. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, such as IT infrastructure, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives. The Council also reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.4 For 2014/2015, having considered all of the options available to the Council, it is proposed that the Council use Option 1 (the Regulatory Method) for government supported borrowing.
This is a continuation of the method currently used by the Council (using regulations 28 and 29 of the Capital Finance Regulations and the Local Government Act 2003) where MRP is calculated with regard to the 'credit ceiling' of the authority. This takes into account all loan advances and repayments through the Council's consolidated advances and borrowing pool with MRP being calculated at 4% of the opening 'credit ceiling' balance.

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

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

- In cases where a full option appraisal shows borrowing to offer better value for money than leasing, MRP is based on the payment period that would have arisen had a lease been taken out instead of a loan;
- In the case of any form of grants, deposits or loans made for capital purposes that have been given in earlier years and any new grants, deposits or loans that may be made for which borrowing is taken out. MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided. This option is used for spend such as existing loans provided to Wearside College, mortgages provided in earlier years to householders under Right to Buy regulations, and capital spend in relation to loans, deposits and other grants made to support economic regeneration:

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

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

1.7 For the purposes of the proposed regulations Option 3 is recommended for self-financed borrowing as this method is subject to less potential variation than Option 4. It is also recommended to continue existing practice for making MRP repayments using the criteria detailed in 1.5 above.

1.8 Revised accounting guidelines to comply with IFRS were introduced for the financial year 2010/2011. These standards had the effect of reclassifying operational leases, finance leases and PFI contracts and required these assets to be brought onto the Council's balance sheet. MRP policy used by the Council will ensure that there will be no impact on council taxpayers from revisions to accounting standards and that the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets i.e. the annual MRP charge will be an amount equal to the amount that has been taken to the balance sheet to reduce the liability for that asset.

1.9 In summary, it is recommended that the Council approves the following Minimum Revenue Provision Statement 2014/2015:

a) For all government supported borrowing the Council will adopt Option 1 as set out in the government guidance which is a continuation of the basis upon which the Council currently calculates MRP.

b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the equal instalment method with the estimated useful life of an asset being assessed by the Head of Financial Resources in consultation with appropriate officers.

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

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

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 5.00% 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 2014/2015 as it does every year.

Treasury Management Strategy Statement for 2014/2015

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 2014/2015 is set out below and is based upon the Head of Financial Resources 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 2014/2015 to 2016/2017
- current treasury management position
- prudential and treasury management Indicators for 2014/2015 to 2016/2017
- prospects for interest rates
- the borrowing strategy
- the borrowing requirement 2014/2015
- 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 2014/2015 to 2016/2017

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 Head of Financial Resources, 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 Head of Financial Resources, 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 2013/2014

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 second quarter in 2016, although some analysts are expecting rates to rise in mid 2015. Bank of England forward guidance is that any increase in the current 0.5% Base Rate would only be considered once the jobless rate has fallen to 7% or below. Should levels fall below 7% then any increase in the base rate would however still be dependant on forecasts for inflation and growth. PWLB rates have increased throughout 2013/2014 as economic pressures have lessened and growth forecasts have improved, however bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to world events and to political developments in the Eurozone. This uncertainty is expected to continue into the medium term.

The government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans' and who successfully applied and were eligible for the lower rate. The Council successfully applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31st October 2014.

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

2013/2014	**Qtr 1* (Apr - June) %**	**Qtr 2* (July - Sep) %**	**Qtr 3* (Oct – Dec) %**
7 days notice	0.31	0.31	0.35
1 year	1.02*	1.07*	1.13*
5 year	1.75*	2.27*	2.43*
10 year	2.81*	3.47*	3.59*
25 year	3.95*	4.32*	4.32*
50 year	4.09*	4.37*	4.31*

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

2.2.2 **Long Term Borrowing 2013/2014**

The Council's strategy for 2013/2014 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 4.50% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2013/2014. There have been 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 27th January 2014. No debt rescheduling has been undertaken as rates have not been considered sufficiently favourable.

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

Roll Over Dates	**Lender**	**Amount £m**	**Rate %**	**Roll Over Periods**
21/04/2013 and 21/10/2013	Barclays	5.0	4.50	Every 6 months
14/08/2013	Barclays	5.0	4.45	every 3 years
Total		**10.0**		

2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31st December 2013 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	137.9		
	Market (LOBO's)	39.5		
	Other	1.7	179.1	3.95
Variable Rate Funding	Temporary / Other		28.2	0.54
Total Borrowing			**207.3**	**3.48**
Total Investments	In House–short term*		**166.7**	**1.05**
Net Borrowing Position			**40.6**	

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

The Council currently has net borrowing of £40.6m 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;
- 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 2014/2015 – 2016/2017

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 next 4 financial years.

- 2013/2014 0.50%
- 2014/2015 0.50%
- 2015/2016 0.50%
- 2016/2017 0.50% - 1.25%

There are upside risks to these forecasts (that the increase in Bank Rate is earlier than predicted) if economic growth is stronger than expected and the unemployment rate reduces quicker than expected. However it is clear that interest rates will remain at historically low levels into the medium term which will keep investment returns at low levels. A detailed view of the current economic background is contained within Annex B to this report. The position will be closely monitored to ensure the Council takes appropriate action as necessary under either scenario.

2.5 Borrowing Strategy

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

The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

2.6 **Borrowing Requirement 2014/2015**

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

		2014/15 £m	2015/16 £m	2016/17 £m
1.	Capital Borrowing (potential)	61.7	27.5	23.7
2.	Replacement borrowing (PWLB)	10.0	0.0	0.0
3.	Replacement borrowing (Other)	0.0	0.0	6.5
4.	Replacement LOBO (potential)	19.5	20.0	10.0
TOTAL		**91.2**	**47.5**	**40.2**

2.6.1 **Borrowing rates**

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

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2014	0.50	2.50	4.40	4.40
June 2014	0.50	2.60	4.50	4.50
Sept 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
March 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
Sept 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
March 2016	0.50	3.10	5.00	5.10
June 2016	0.75	3.20	5.10	5.20
Sept 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
March 2017	1.25	3.40	5.10	5.20

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

The main sensitivities of the forecast are likely to be;

- if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the rate to US tapering of asset purchases, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still lower than they will be in the next few years.
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around a relapse into recession or, a risk of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

Council officers, in conjunction with the Council's treasury advisers, monitor both the prevailing interest rates and the market forecasts. The Head of Financial Resources, taking into account the advice of the Council's treasury adviser considers a benchmark financing rate of 5.00% for any further long-term borrowing for 2014/2015 to be appropriate.

Consideration will be given to various options, including utilising some investment balances to fund the borrowing requirement in 2014/2015. This policy has served the Council well over the last few years as investment returns continue to be low and counterparty risk is relatively high and therefore the cost of any new borrowing would place additional pressure on the Council's revenue budget. As a result the Council is currently maintaining an under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long term and to ensure 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 Head of Financial Resources, 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 calculations / 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. For example, since November 2008 the Council has rescheduled debt worth £59.5 million with an ongoing reduction in interest costs of just under £1.0 million per annum. In 2007 the PWLB introduced a spread between the rates applied to new borrowing and repayment of debt. This has been compounded since 20 October

2010 by a considerable further widening of the difference between new borrowing and repayment rates and 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 2014/2015 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. However, these 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.

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, particularly if the investment falls under the category of "non-specified investments";
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;
- specified investments that the Council will use. These are high security i.e. high credit rating, and high liquidity investments in sterling and with a maturity of no more than a year;
- non-specified investments, 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
- whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers, (if used); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisers;

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 less than one year and are placed with high credit rated counterparties. Within these bodies and in accordance with the Code, the Council has set additional criteria to set 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 high credit rated counterparties this means in effect that any investments placed with those counterparties for a period of one year or more will be classed as Non-specified Investments. Any investment by the Council in this type of investment whether classed as capital expenditure (see 3.4 below) or as a simple revenue investment will be subject to a full appraisal and reported to Cabinet for approval.

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

3.4 Investments Defined as Capital Expenditure

The acquisition of share capital 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 Head of Financial Resources will monitor long-term investment rates and identify any investment opportunities if market conditions change.

3.6 Provisions for Credit Related Losses

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

3.7 Creditworthiness policy

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

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

- If a counterparty's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the Council will cease to place funds with that counterparty. The Council will also immediately inform its external fund manager(s), if used, to cease placing funds with that counterparty.

- If a counterparty's rating is downgraded with the result that, their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa. The Council will also immediately inform its external fund manager(s), if used, of any such change(s).

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

The UK sovereign rating was downgraded to AA+ by Moody's on 22nd February 2013 and subsequently by Fitch, however advice is that the guidance to restrict investment to very short-term periods is not applicable to institutions considered to be very low risk because the government holds shares in these organisations (i.e. Lloyds TSB and RBS). These part government owned organisations have the government's AA+ rating applied to them. 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 2013/2014 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:

	2012/13 Return %	2012/13 Benchmark %	To date 2013/14 Return %	To date 2013/14 Benchmark %
Council	1.91	0.39	1.05	0.36

During 2014/2015 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. The performance of the Council compared well with other local authorities and is in the top quartile.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2014/2015 are likely to range between £55 million and £200 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2014/2015, with short-term interest rates forecast to be materially below long-term rates, it is possible that some investment balances will continue to be used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

The Council is not committed to any investments, which are due to commence in 2014/2015, (i.e. it has not agreed any forward deals).

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

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

The Head of Financial Resources, 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 Head of Financial Resources, in consultation with the Cabinet Portfolio holder for Resources, to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to Cabinet retrospectively, in accordance with normal treasury management reporting procedures.

3.11 **External fund managers**

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

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

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

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

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

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

4. **Scheme of delegation**

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

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

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

Appendix 7

ANNEX A

Interest Rate Forecasts

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

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

1. Interest Rate Forecasts

Bank Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	-	-	-	-	-

5yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	2.63%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	2.63%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.63%	2.60%	2.60%	2.60%	2.60%	2.70%	2.80%	3.00%	3.20%	-	-	-	-	-

10yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	3.72%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.72%	3.70%	3.80%	3.90%	4.05%	4.05%	4.30%	4.55%	4.55%	-	-	-	-	-
Capital Economics	3.72%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	4.05%	-	-	-	-	-

25yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.35%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.35%	4.55%	4.55%	4.80%	4.80%	5.05%	5.05%	5.30%	5.30%	-	-	-	-	-
Capital Economics	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.45%	-	-	-	-	-

50yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.31%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.31%	4.45%	4.45%	4.70%	4.70%	4.90%	4.90%	5.05%	5.05%	-	-	-	-	-
Capital Economics	4.31%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.60%	-	-	-	-	-

ANNEX A

2. Survey of Economic Forecasts

HM Treasury January 2014

The current Q4 2013 and 2014 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury December 2013 report.

BANK RATE FORECASTS	Quarter ended		annual average Bank Rate		
	Q4 2013	Q4 2014	ave. 2015	ave. 2016	ave. 2017
Average	0.48%	0.56%	0.80%	1.46%	2.23%
Highest	0.50%	1.20%	1.80%	2.20%	2.63%
Lowest	0.00%	0.50%	0.50%	0.69%	1.40%

Appendix 7

ANNEX B

Economic Background

1.1 Global Economy Update

The Eurozone.

The sovereign debt crisis has eased during 2013 which has been a year of comparative calm following the Cyprus bailout in the spring. Ireland has now completed its three year bailout programme and has addressed many of its structural economic requirements. The Eurozone moved into growth in quarter 2 of 2013 but growth is likely to remain weak and is expected to dampen UK growth. The European Central Bank's pledge to buy unlimited amounts of bonds of countries which ask for a bail out, has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. their debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet Eurozone targets for fiscal correction. Some commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up in forcing an exit. It is not clear how much damage an exit by one country would have on the Eurozone and whether contagion would then spread to other countries. However, the longer a Greek exit is delayed, the less likely there are to be the repercussions beyond Greece on other countries and on EU banks. It looks increasingly likely that Slovenia will be the next country to need a bailout.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under Eurozone imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in getting a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness,

USA.

The economy has managed to return to strong growth in 2013 of 2.5% in Q2 and 4.1% in Q3. This is in spite of sharp cuts in federal expenditure, and increases in taxation. The Federal Reserve therefore decided in December to reduce its $85bn per month asset purchases programme of quantitative easing by $10bn. The Federal Reserve has pledged not to increase the central rate until unemployment falls to 6.5% and has strengthened its guidance by adding that there would be no increases in the central rate until ‘well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal’.Consumer, investor and business confidence levels have improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthier levels. Many house owners have therefore been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China.

There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan.

The initial euphoria generated by “Abenomics”, the huge Quantative Easing instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled. However, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from stagnation and help support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

1.2 UK economy

Economic growth.

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in 2013 Q1 (+0.3%) Q2 (+0.7%) and Q3 (+0.8%) to surpass all expectations and all three main sectors, services, manufacturing and construction contributed to this upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November 2013 Inflation Report said that 'in the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise.' However, growth is expected to be stronger for the immediate future but one downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

Forward guidance.

The Bank of England issued forward guidance in the August 2013 Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years, but this was subsequently revised to Q4 2014 in the November 2013 Inflation Report. The Bank's guidance is subject to three provisos, mainly around inflation and breaching any of them would sever the link between interest rates and unemployment levels. This makes forecasting the Bank Rate more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did not rise to the levels that would normally be expected in a major recession and the November Inflation Report noted that productivity had sunk to 2005 levels. There has therefore been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment. The UK unemployment rate has now fallen to 7.1% however inflation has now reduced to the governments 2.0% target and most forecasters think that to encourage growth interest rates will remain at 0.5% until 2016.

Credit Conditions.

While the Bank Base Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS has also been bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, the housing market remains weak outside of London and the south-east where there has been only a minimal increase in house prices. Also, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation.

The UK inflation rate, as measured by the Consumer Prices Index, has fallen from 3.1% in June 2013 to a four year low of 2.0% in December 2013. This is the target level for CPI set by the Government and inflation is anticipated to remain around this level throughout 2014/2015.

AAA rating.

The UK has lost its AAA rating from Fitch and Moody's but this caused little market reaction.

1.3 Economic Forecast

Economic forecasting remains difficult with so many external influences weighing on the UK economy. Major volatility in bond yields is likely during the remainder of 2013/2014 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets await the long expected start of tapering of asset purchases by the Federal Reserve. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. However the political deadlock and infighting between Democrats and Republicans over the budget, and the raising of the debt limit has only increased uncertainty rather than resolving underlying issues. Resolving these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the Eurozone debt crisis, or a break-up of the Eurozone, but rather that there will be a managed resolution of the debt crisis where Eurozone institutions and governments eventually do what is necessary (but only when all else has been tried and failed). Under this assumed scenario, growth within will be low for the next couple of years and some Eurozone countries experiencing low or negative growth will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. It can not be forecast whether any individual country will lose such confidence, or when, causing a resurgence of the Eurozone debt crisis. While the European Central Bank has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as consumers borrowing is high and wage inflation is less than CPI inflation, so disposable income is being eroded.

- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014

- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.

- Prolonged political disagreement over the US Federal Budget and raising of the debt ceiling

- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.

- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.

- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.

- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.

- A lack of political will in France, (the second largest economy in the EZ), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy.

- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.

- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

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

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.

- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

- In the longer term – an earlier than currently expected reversal of QE in the UK. This could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Lending List Criteria **ANNEX C**

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	110	2 Years
AA+	F1+	A1+	Aa1	P-1	90	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	364 days
A+	F1	A-1	A1	P-1	10	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					90	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £80 million with a maximum of £40 million in any one fund.					80	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

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

Where any banks / building societies are part of the UK Government's Credit Guarantee scheme (marked with * in the Approved Lending List), these counterparties will have an AA rating applied to them thus giving them a credit limit of £40 million for a maximum period of 364 days

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

ANNEX C

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

It is also proposed to set a total limit of £40 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	**Limit £m**
UK	350
Non UK	40

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

Sector	**Limit £m**
Central Government	350
Local Government	350
UK Banks	350
UK Building Societies	150
Money Market Funds	80
Foreign Banks	40

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

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

Proposed group limits are set out in Annex C.

Approved Lending List **ANNEX D**

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
UK	AA+				Aa1			AAA		350	2 years
Lloyds Banking Group (see Note 1)										**Group Limit 90**	
Lloyds Banking Group plc	A	F1	bbb+	1	A3	-	-	A-	A-2	90	2 years
Lloyds TSB Bank Plc	A	F1	bbb+	1	A2	P-1	C-	A	A-1	90	2 years
Bank of Scotland Plc	A	F1	-	1	A2	P-1	D+	A	A-1	90	2 years
Royal Bank of Scotland Group (See Note 1)										**Group Limit 90**	
Royal Bank of Scotland Group plc	A	F1	bbb	1	Baa1	P-2	-	BBB+	A-2	90	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	A3	P-2	D+	A-	A-2	90	2 years
National Westminster Bank Plc	A	F1	-	1	A3	P-2	D+	A-	A-2	90	2 years
Ulster Bank Ltd	A-	F1	ccc	1	Baa2	P-2	D-	BBB+	A-2	90	2 years
Santander Group *										**Group Limit 40**	
Santander UK plc	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
Cater Allen	-	-	-	-	-	-	-	-	-	40	364 days
Barclays Bank plc *	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
HSBC Bank plc *	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+	40	364 days

Appendix 7

ANNEX D (continued)											
	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	A	F1	a	1	A2	P-1	C	A	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	aa-	1	A1	P-1	B-	AA-	A-1+	40	364 days
Clydesdale Bank / Yorkshire Bank **/***	A	F1	bbb+	1	Baa2	P-2	D+	BBB+	A-2	0	
Co-Operative Bank Plc	B	B	b	5	Caa1	NP	E	-	-	0	
Virgin Money ***	BBB	F3	bbb	5	-	-	-	BBB+	A-2	0	
Top Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS ***	BBB+	F2	bbb+	5	Baa2	P-2	C-	-	-	0	
Coventry BS	A	F1	a	5	A3	P-2	C	-	-	5	6 Months
Skipton BS ***	BBB-	F3	bbb-	5	Ba1	NP	D+	-	-	0	
Leeds BS	A-	F2	a-	5	A3	P-2	C	-	-	5	6 Months
West Bromwich BS ***	-	-	-	-	B2	NP	E+	-	-	0	
Principality BS ***	BBB+	F2	bbb+	5	Ba1	NP	D+	-	-	0	
Newcastle BS ***	BB+	B	bb+	5	-	-	-	-	-	0	
Nottingham BS ***	-	-	-	-	Baa2	P-2	C-	-	-	0	
Foreign Banks have a combined total limit of £40m											
Australia	AAA	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days

ANNEX D (continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength	L Term	S Term	Limit £m	Max Deposit Period
Canada	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa2	P-1	B-	A+	A-1	10	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa3	P-1	C+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Money Market Funds										80	Liquid
Prime Rate Stirling Liquidity	AAA	-	-	-	-	-	-	AAA	-	40	Liquid
Insight Liquidity Fund	AAA	-	-	-	-	-	-	AAA	-	40	Liquid
Ignis Sterling Liquidity	AAA	-	-	-	-	-	-	AAA	-	40	Liquid
Deutsche Managed Sterling Fund	-	-	-	-	AAA	-	-	AAA	-	40	Liquid

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 £90m.

* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme
The counterparties in this section will have an AA rating applied to them thus giving them a credit limit of £40 million

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

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

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

Appendix 7