

CIVIC CENTRE,  
SUNDERLAND  
26 February 2018

**TO THE MEMBERS OF SUNDERLAND CITY COUNCIL**

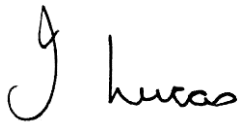
**YOU ARE SUMMONED TO ATTEND A MEETING** of Sunderland City Council to be held in the Council Chamber, Civic Centre, Sunderland, on **WEDNESDAY 7 MARCH 2018** at **2.00 p.m.** at which it is proposed to consider and transact the following business:-

Item	Page
1. To read the Notice convening the meeting.	-
2. To approve the minutes of the last ordinary meeting of the Council held on 24 January 2018 (copy herewith).	1
3. Receipt of Declarations of Interest.	-
4. Announcements (if any) under Rule 2(iv).	-
5. Apologies.	-
6. Election of the Leader of the Council – report of the Head of Law and Governance (copy herewith).	11
7. Appointments to Committees and Outside Bodies – report of the Head of Law and Governance (copy herewith).	13

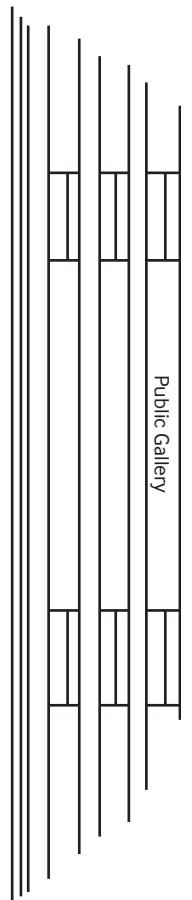
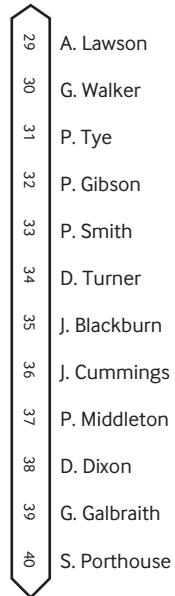
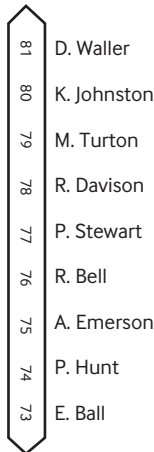
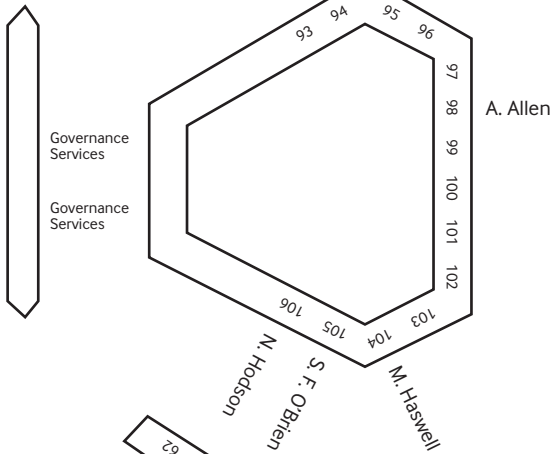
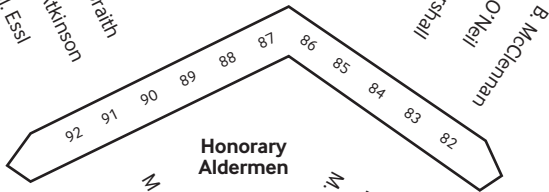
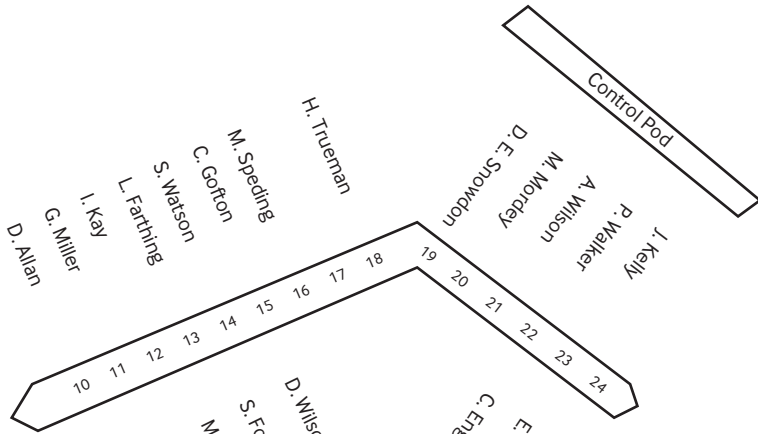
**8. Report of the Cabinet.**

**17**

- (i) Capital Programme 2018/2019 to 2021/2022 and Treasury Management Policy and Strategy 2018/2019, including Prudential Indicators for 2018/2019 to 2020/2021**
- (ii) Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/2021**
- (iii) Determination of Council Tax 2018/2019**

A handwritten signature in black ink, appearing to read 'I. Lucas'.

**IRÈNE LUCAS CBE, CHIEF EXECUTIVE.**

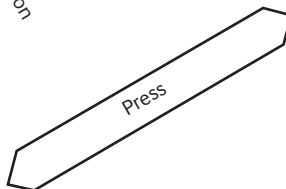


Head of Law  
and Governance  
E. Waugh

Mayor  
D. MacKnight

Chief Executive  
I. Lucas

Deputy Mayor  
L. Scanlan





# ***Minutes***



## Sunderland City Council

At a meeting of SUNDERLAND CITY COUNCIL held in the CIVIC CENTRE on  
WEDNESDAY 24 JANUARY 2018 at 6.00pm

**Present:** The Mayor (Councillor D MacKnight) in the Chair  
The Deputy Mayor (Councillor L Scanlan)

Councillors	Allan	Fletcher	Lawson	Taylor
	Allen	Foster	Marshall	Trueman, D
	Ball	Francis	McClennan	Trueman, H
	Beck	Galbraith, G	Middleton	Turner
	Bell	Galbraith, I	Miller, G	Turton, M
	Blackburn	Gibson, E	Mordey	Walker, G
	Chequer	Gibson, P	O'Brien	Walker, P
	Cummings	Gofton	Oliver	Waller
	Curran	Hodson	O'Neil	Waters
	Davison	Hunt	Porthouse	Watson, S
	Dixon, D	Jackson	Scaplehorn	Williams
	Dixon, M	Johnston	Scullion	Wilson, A
	English	Kay	Snowdon, D	Wilson, D
	Essl	Kelly	Snowdon, D E	Wood
	Farthing	Lauchlan	Speding	Wright, T

### Also Present:-

Honorary Aldermen: - R D Tate

The notice convening the meeting was read.

### Minutes

43. RESOLVED that the minutes of the Council Meeting held on 22 November 2017 be confirmed and signed as a correct record.

### Declarations of Interest

There were no declarations of interest.

## **Announcements**

### **(i) Landscape Institute Awards**

At the invitation of the Mayor, Councillor Speding informed Members that the Council had been awarded two 'Highly Commended' Certificates at the 2017 Landscape Institute Awards ceremony.

The certificates were awarded to Sunderland Seafront in the category of Adding Value by Design and Saint Peter's Church in the category of Heritage and Conservation. Councillor Speding stated that the awards marked the fruition of years of effort by the Landscape Design Services team on both projects and it was unprecedented for an in-house local authority team to achieve two commendations in one ceremony.

## **Reception of Petitions**

44. RESOLVED that the petitions listed below submitted by the Councillors named, be received and referred for consideration in accordance with the Council's Petitions Scheme: -

Councillor S Foster – Petition from residents of Hylton Castle opposing the granting of a license for selling alcohol to a shop in former Cauld Lad public house.

Councillor T Taylor – Petition of 365 signatures from residents of Barmston Village requesting that the Council review the status of the bus link to improve safety for pedestrians.

Councillor K Chequer – Petition from residents of Gildacre Fields in Southwick requesting the introduction of regular bus services from this new development to the city centre.

## **Apologies**

Apologies for absence were submitted to the meeting on behalf of Councillors Atkinson, Elliott, Heron, Howe, Leadbitter, F Miller, Smith, Stewart, W Turton and N Wright together with Honorary Alderman Greenfield.

## **Written Questions under Rule 9**

Pursuant to Rule 9 of the Council Rules of Procedure, a member of the public had submitted a question to the meeting.

The Mayor read the text of the question submitted by Heather Fagan and Councillor Miller provided the response.



## **Report of the Cabinet**

The Cabinet reported and recommended as follows: -

### **1. Council Tax Base 2017/2018**

That they had given consideration to a report of the Executive Director of Corporate Services seeking approval to the calculation of the Council Tax Base for 2018/2019 in accordance with the Local Government Finance Act 1992 and recommended to Council that: -

- (a) the report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2018/2019 be approved; and
- (b) pursuant to the report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended by Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 the amount calculated by Sunderland City Council as its Council Tax Base for the year 2018/2019, shall be 69,991 and for the area of Hetton Town Council shall be 3,711.

### **2. Local Council Tax Support Scheme**

That they had given consideration to a report of the Executive Director of Corporate Services requesting that the Council continue with its Local Council Tax Support Scheme for the financial year 2018/2019.

Accordingly, the Cabinet recommended the Council to: -

- (i) approve the Council's Local Council Tax Support Scheme, the main features of which, incorporating the proposed changes, were set out at Appendix A, for the financial year 2018/2019; and
- (ii) authorise the publication of the approved Scheme on the Council's website and in any additional manner determined by the Executive Director of Corporate Services in consultation with the Cabinet Secretary.

The Deputy Leader of the Council, Councillor H Trueman, duly seconded by the Cabinet Secretary, Councillor Speding, moved the report of the Cabinet.

45. RESOLVED that the report of the Cabinet be approved and adopted.

## **Written Questions under Rule 10.2**

Pursuant to Rule 10.2 of the Council Rules of Procedure, Members of the Council asked questions of the Leader and Members of the Executive.

Councillor Oliver, seconded by Councillor Francis, moved an extension to the time for responding to written questions.

Upon being put to the vote, the motion was defeated with 7 Members voting in favour: -

Councillors	Allen Dixon, M	Francis Hodson	O'Brien Oliver	Wood
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And 53 Members voting against: -

Councillors	Allan Ball Beck Bell Blackburn Chequer Cummings Curran Davison Dixon, D English Essl Farthing Fletcher	Foster Galbraith, G Galbraith, I Gibson, E Gofton Hunt Jackson Johnston Kay Kelly Lauchlan Lawson Marshall	McClennan Middleton Miller, G Mordey O'Neil Porthouse Scanlan Scapplehorn Scullion Snowdon, D Snowdon, D E Speding Taylor	Trueman, D Trueman, H Turner Turton, M Walker, G Walker, P Waller Waters Watson, S Williams Wilson, A Wilson, D Wright, T
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## Notices of Motion

### (i) Pest Control and Poison-Resistant Rats

Councillor Hodson, duly seconded by Councillor O'Brien, moved the following motion: -

"Recent figures have shown that Sunderland has one of the highest rates for call-outs to deal with rat sightings (5,304 last year – a rate of more than 19 per 1,000 residents), and that Sunderland City Council has dealt with more infestations of the rodent per head than almost any other authority in Britain.

This Council recognizes:

- That rats are a danger to the health and wellbeing of residents
- That the problem of an increasing rat population which is immune to many standard poisons must be addressed
- Inexpert use of poison can make the problem worse

This Council resolves:

- To ask the Cabinet to reintroduce the free pest control service for all residents
- To ask the Cabinet to publicize the risk of poison-resistant rats and offer advice as to how residents can rat-proof their homes, for example fitting strips to the bottoms of doors, filling small gaps in exterior walls, repairing roof damage and covering drains to prevent rodents gaining entry
- To ask the Cabinet to lobby the Government for national action on the problem of rats."

Upon being put to the vote, the motion was defeated with 7 Members voting in favour: -

Councillors	Allen Dixon, M	Francis Hodson	O'Brien Oliver	Wood
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And 54 Members voting against: -

Councillors	Allan Ball Beck Bell Blackburn Chequer Cummings Curran Davison Dixon, D English Essl Farthing Fletcher	Foster Galbraith, G Galbraith, I Gibson, E Gibson, P Gofton Hunt Jackson Johnston Kay Kelly Lauchlan Lawson Marshall	McClennan Middleton Miller, G Mordey O'Neil Porthouse Scanlan Scapplehorn Scullion Snowdon, D Snowdon, D E Speding Taylor	Trueman, D Trueman, H Turner Turton, M Walker, G Walker, P Waller Waters Watson, S Williams Wilson, A Wilson, D Wright, T
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## (ii) Litter in the City's Streets

Councillor Oliver, duly seconded by Councillor Francis moved the following motion: -

"This Council recognises the level of public concern at litter in the city's streets and the lack of enforcement compared to neighbouring councils.

It will therefore resolve to increase the number of fines handed out for littering in a cost-neutral way by establishing its own enforcement company."

Upon being put to the vote, the motion was defeated with 4 Members voting in favour: -

Councillors	Dixon, M	Francis	Oliver	Wood
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And 55 Members voting against: -

Councillors	Allan Allen Ball Beck Bell Blackburn Chequer Cummings Curran	Fletcher Foster Galbraith, G Galbraith, I Gibson, E Gibson, P Gofton Hodson Hunt	Lawson Marshall McClennan Middleton Miller, G Mordey O'Brien O'Neil Porthouse	Speding Taylor Trueman, D Trueman, H Turner Turton, M Walker, G Walker, P Waters
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Davison	Jackson	Scanlan	Watson, S
Dixon, D	Johnston	Scaplehorn	Wilson, A
English	Kay	Scullion	Wilson, D
Essl	Kelly	Snowdon, D	Wright, T
Farthing	Lauchlan	Snowdon, D E	

### (iii) East Coast Mainline

Councillor Mordey, duly seconded by Councillor Bell, moved the following motion: -

“This Council notes with dismay the recent press reports that the Government intends to bail out the Joint Venture of Stagecoach and Virgin that currently operates the East Coast Mainline franchise to the tune of £2 billion.

We call upon the Government to ensure that the taxpayers of this country are not left holding the bill for this botched privatisation.

Therefore, this Council resolves to write to the Secretary of State for Transport to demand that he ensures that Stagecoach and Virgin honour their commitments in the original franchise agreement.”

Upon being put to the vote, the motion was declared to be carried with 54 Members voting in favour: -

Councillors	Allan	Fletcher	Marshall	Taylor
	Allen	Foster	McClennan	Trueman, D
	Ball	Galbraith, G	Middleton	Trueman, H
	Beck	Galbraith, I	Miller, G	Turner
	Bell	Gibson, E	Mordey	Turton, M
	Blackburn	Gibson, P	O'Neil	Walker, G
	Chequer	Gofton	Porthouse	Walker, P
	Cummings	Hunt	Scanlan	Waters
	Curran	Jackson	Scaplehorn	Watson, S
	Davison	Johnston	Scullion	Williams
	Dixon, D	Kay	Snowdon, D	Wilson, A
	English	Kelly	Snowdon, D E	Wilson, D
	Essl	Lauchlan	Speding	Wright, T
	Farthing	Lawson		

And 6 Members voting against: -

Councillors	Dixon, M	Hodson	Oliver	Wood
	Francis	O'Brien		

Accordingly it was: -

46. RESOLVED that: -

“This Council notes with dismay the recent press reports that the Government intends to bail out the Joint Venture of Stagecoach and Virgin that currently operates the East Coast Mainline franchise to the tune of £2 billion.

We call upon the Government to ensure that the taxpayers of this country are not left holding the bill for this botched privatisation.

Therefore, this Council resolves to write to the Secretary of State for Transport to demand that he ensures that Stagecoach and Virgin honour their commitments in the original franchise agreement.”

### **Report on Special Urgency Decisions**

The Deputy Leader of the Council submitted a quarterly report on executive decisions which had been taken as a matter of special urgency, which advised that there were no such instances since the last report.

The Deputy Leader of the Council, Councillor H Trueman, duly seconded by the Cabinet Secretary, Councillor Speding, moved the report.

47. RESOLVED that the report be received and noted.

### **Appointments to Outside Bodies**

The Head of Law and Governance submitted a report which requested the Council to consider appointments to a number of vacancies on outside bodies, in respect of positions which were held by the former Leader of the Council, Paul Watson.

The Council had also been advised that Councillor Kelly had tendered his resignation as an appointed Governor representative for the Council on the Council of Governors of South Tyneside NHS Foundation Trust.

The Deputy Leader of the Council, duly seconded by the Cabinet Secretary, moved that the recommendations contained in the report be approved and it was: -

48. RESOLVED that: -

- (i) the following appointments be made to Outside Bodies to be effective until the Annual Meeting of the Council on 17 May 2018: -
  - Age UK – Deputy Cabinet Member, Health, Housing and Adult Services
  - Association of North East Councils Limited: Leaders and Elected Mayors’ Group – Deputy Leader
  - Resources Task and Finish Group – Deputy Leader
  - International Advanced Manufacturing Park LLP – Cabinet Secretary
  - Key Cities Board – Cabinet Secretary
  - Local Government Association – SIGOMA – Cabinet Secretary
  - Newcastle Airport Local Authority Holding Company Limited – Deputy Leader
  - North East Local Enterprise Partnership Board – Deputy Leader
  - Sunderland Partnership Non-Executive Board – Cabinet Secretary.

- (ii) it be noted that the Council was required to nominate an Appointed Governor Representative to the Council of Governors of South Tyneside NHS Foundation Trust and that this appointment would be made in due course.

(Signed) D MACKNIGHT  
Mayor

**COUNCIL**

**7 MARCH 2018**

## **ELECTION OF THE LEADER OF THE COUNCIL**

### **REPORT OF THE HEAD OF LAW AND GOVERNANCE**

1. Following the death of the former Leader, Councillor Paul Watson, the functions of Leader of the Council have been undertaken by the Deputy Leader, Councillor Henry Trueman. It is convention for the Leader of the Council to be the Leader of the largest political group on the Council. The majority group having elected Councillor Trueman as Leader of the group until the Annual Meeting in May 2018, a nomination will be made for election of Leader of the Council for the same term of office.
2. In accordance with the executive arrangements adopted by the Council in 2009, in normal circumstances, the Leader holds office until the first annual meeting after his/her normal day of retirement as a councillor (unless, for example, they resign or are removed from office prior to expiry of that period.) This therefore means that a Leader appointed at the annual meeting immediately following their election as a councillor will usually serve a four year term, whereas a Leader appointed mid-term will serve a shorter period.
3. Under provisions inserted in the Local Government Act 2000 by the Localism Act 2011, individual local authorities may now determine a different term of office. Whilst it is not proposed that a permanent change be made to the Council's current arrangements, on this occasion, it will be proposed that Council elect the Leader to hold office until the Annual Meeting in May this year.
4. The Leader of the Council is required to appoint a member of the Executive to be their deputy and they hold office until the end of the Leader's term of office (unless they resign, cease to be a member or are removed from office by the Leader). The Leader will inform Council of their appointment of the Deputy Leader and of any changes to Cabinet.
5. **Recommendation**
  - 5.1 Council is recommended to:
    - (i) elect the Leader of the Council, their term of office to be until the Annual Meeting in May 2018,
    - (ii) note the Leader's appointment of Deputy Leader and
    - (iii) note the decision of the Leader in respect of the membership of Cabinet and portfolio responsibilities.

### **Background Papers**

Local Government Act 2000 (Part 1A)





**Council**

**7 March 2018**

## **Appointments to Committees and Outside Bodies**

### **Report of the Head of Law and Governance**

#### **1 Introduction**

- 1.1 The purpose of this report is to recommend that appointments be made in respect of various Committees and outside bodies and also to inform Council of appointments made by Councillor H. Trueman to a number of bodies established under joint arrangements.

#### **2 Appointments**

- 2.1 Following the by-election in Pallion ward and the election of Councillor M. Haswell, it is necessary to review the allocation of seats on those Council committees and subcommittees to which the requirements of political balance apply and also to appoint Councillor Haswell to the West Area Committee.
- 2.2 The principles of political balance are summarised as follows, in descending order of priority.
- (a) Where some or all of the members of an authority have formed into two or more political groups, then seats on any committee or sub-committee may not be allocated to only one political group.
  - (b) The majority group must have the majority of seats on each committee or sub committee.
  - (c) Subject to (a) and (b), each political group shall have the same proportion of the total number of committee seats as its proportion of seats on the Council.
  - (d) Subject to (a), (b) and (c) each political group shall have the same proportion of seats on each committee and sub committee as its proportion of seats on the Council.
- 2.3 Council is requested to consider the following proposals to reflect changes to the political composition, to fill current vacancies and, subject to the election of Councillor H. Trueman as Leader of the Council, to make or confirm the appointment of Councillor Trueman to external bodies in his capacity of Leader:-

**Human Resources Committee** – to replace one Majority Group Councillor with one Minority Opposition Councillor. (As there is a current Majority Group vacancy, there is no need to nominate a Majority Group member to be removed from the Committee).

**Health and Wellbeing Scrutiny Committee** – to replace one Majority Group Councillor with one Minority Opposition Councillor.

**Children, Education and Skills Scrutiny Committee** – to replace one Majority Group Councillor with one Minority Opposition Councillor.

**Economic Prosperity Scrutiny Committee** – to replace one Majority Group Councillor with one Minority Opposition Councillor.

**Education (Appointment of Governors) Panel** – to replace one Minority Opposition Group Councillor with one Majority Opposition Councillor.

**Appeals Committee** – to replace one Majority Opposition Councillor with one Majority Group Councillor and also appoint an additional Majority Group Councillor to fill the current vacancy on the Committee.

**West Area Committee** – to appoint Councillor Haswell.

**Port Board** – to appoint the Leader.

**Health and Wellbeing Board** – to note that in accordance with the Council's Constitution, the Leader of the Council is a member of the Health and Wellbeing Board.

**ANEC Limited** – to appoint the Leader.

**ANEC Limited: Leaders' and Elected Mayor's Group** – to appoint the Leader.

**ANEC Limited: Resources Task and Finish Group** – to appoint the Leader.

**Newcastle Airport Local Authority Holding Company Limited** – to appoint the Leader

**North East Combined Authority: North East Leadership Board** – to appoint the Leader and Substitute – Deputy Leader

**North East Local Enterprise Board** – To appoint the Leader.

**Northumbria Police and Crime Panel** – to appoint the Leader and Deputy Leader.

## **2.4 Tyne and Wear Fire and Rescue Authority**

Councillor T. Wright has given notice of his resignation from the Tyne and Wear Fire and Rescue Authority with effect from 10 March 2018 and it is therefore necessary to appoint a majority group member to the Fire Authority.

## 2.5 **Gentoo**

There are currently three councillors nominated to the Board of Gentoo Group Limited, namely Councillors Curran, Stewart and Tye. In accordance with the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017, with effect from the “appointed day” i.e. 15 May 2018, the local authority membership must not exceed 24% of the Board membership. As there are currently eleven members of the Board (with a maximum of twelve) it is necessary for the Council to nominate a member to be removed from the Board. The Regulations require the Council to nominate the member to be removed and if it fails to do so before the 15 May, the non-Council members of the Board must select the person to be removed.

As Annual Council does not meet until after the 15 May, it is proposed that the Chief Executive, in consultation with the Leader, be authorised to nominate the member to be removed from the Gentoo Group Board, following the local elections in May.

## **3 Representatives on Bodies established under Joint Arrangements**

- 3.1 To note the appointments made to the undermentioned Bodies by Councillor H. Trueman, as Deputy Leader of the Council, whilst undertaking the duties and responsibilities of the Leader:-

Economic Development and Regeneration Advisory Board to the North East Combined Authority – Councillor H. Trueman

Transport for North East Committee (TNEC) – the appointment of Councillor H. Trueman as the Substitute Member on the Committee

Transport North East (Tyne and Wear) Sub Committee (TWSC) – the appointment of Councillor H Trueman as the Substitute Member on the Committee

## **4 Recommendations**

- 4.1 The Council is recommended to:

- (i) consider appointments to the Committees and outside bodies detailed in paragraph 2.3;
- (ii) appoint Councillor C. English to the Tyne and Wear Fire and Rescue Authority with effect from 11 March 2018 in place of Councillor T Wright;
- (iii) authorise the Chief Executive, in consultation with the Leader, to nominate a member to be removed from the board of Gentoo Group Limited, following the local elections in May 2018; and
- (iv) note the appointments made by the Councillor H. Trueman which are set out in paragraph 3.1 above.



# ***Report of the Cabinet***



## **THE CABINET reports and recommends as follows:-**

That they have referred the initial proposals on the Revenue Budget to the Scrutiny Co-Ordinating Committee:

- On 12 October 2017, in relation to the reference from Cabinet of 20th September, 2017 – Report on the Budget Planning Framework, Revenue Budget Proposals and Medium Term Financial Strategy 2018/2019 - 2020/2021:

*The Scrutiny Coordinating Committee acknowledged the continued difficult financial pressures and constraints that the Council must operate within, despite many uncertainties still remaining, the Committee was satisfied with the information provided as well as acknowledging the hard work and dedication of everyone involved in the budget planning process and had no additional comment to make.*

- On 10 January 2018 in relation to the reference from Cabinet of 10th January 2018 – Report on the Revenue Budget 2018/2019 to 2020/21 - Update and Provisional Revenue Support Settlement:

*The Scrutiny Coordinating Committee acknowledged the challenging financial situation that the Council continued to operate within and is satisfied with the content of the report presented. The Committee also acknowledged the continued work and commitment of Members and Officers in developing proposals for a balanced budget under such difficult financial constraints.*

That they have also referred the proposals for Capital Programme Planning 2018/19 to 2021/22 to the Scrutiny Co-Ordinating Committee

- On 10 January 2018, in relation to the reference from Cabinet of 13 December 2017 – Capital Programme Planning report:

*The Scrutiny Committee acknowledged the capital programme and is satisfied with the proposed variation to the capital programme.*

That they have also submitted the attached report numbered 1 to the meeting of the Audit and Governance Committee.

- On 2 February 2018, the Audit and Governance Committee was consulted specifically on the Treasury Management Policy and Strategy for 2018/2019.

*The committee was pleased to note that the careful and prudent approach adopted by the Council in previous years would continue.*

*The Committee also noted the Borrowing and Investment Strategies and that the Council continued to follow fundamental principles in relation to the prudent investment of treasury balances which had resulted in the rate of return on investments being consistently higher than the benchmark rate.*

*The Committee were satisfied that the arrangements for Treasury Management were in an excellent position for the next and future years and resolved that the Council be advised accordingly.*

Subsequently

The precept figures have been confirmed as those set out in the report to Cabinet on 7 February 2018:

- For the Police and Crime Commissioner Northumbria (PCCN) this will mean an increase of 12.2% (flat rate Band D £12 increase) in the precept level for 2018/2019;
- The precept figures of the Tyne and Wear Fire and Rescue Authority(TWFRA) have been confirmed as a 2.99% increase in the precept level for 2018/2019.
- The precept figures of the Parish of Hetton Town Council have been confirmed as an increase of 2% in the precept level for 2018/2019.

The position set out at Item 3 of the report as Determination of Council Tax 2018/2019 reflects the above notified 2018/2019 precept levels in respect of all of the Precepting Authorities and the figures as reported remain unchanged.

**NOTE:**

**In relation to the report numbered 2 below entitled “Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/2021”, Appendix F has not been printed with this item, but the recommendation, which includes all of the substantive content of the report, is set out in full at item 3 below.**



**1. Capital Programme 2018/2019 to 2021/2022 and Treasury Management Policy and Strategy 2018/2019, including Prudential Indicators for 2018/2019 to 2020/2021**

That they have given consideration to the attached report of the Executive Director of Corporate Services and recommend that approval be given to:

- the proposed Capital Programme for 2018/2019;
- the Council's Capital Strategy 2018/2019 to 2021/2022;
- the Treasury Management Policy and Strategy for 2018/2019 (including specifically the Annual Borrowing and Investment Strategies);
- the Prudential Indicators for 2018/2019 to 2020/2021; and
- the Minimum Revenue Provision Statement for 2018/2019.

Accordingly the Cabinet recommends the Council to approve:-

- (i) the proposed Capital Programme for 2018/2019;
- (ii) the Council's Capital Strategy 2018/2019 to 2021/2022;
- (iii) the Treasury Management Policy and Strategy for 2018/2019 (including specifically the Annual Borrowing and Investment Strategies);
- (iv) the Prudential Indicators for 2018/2019 to 2020/2021; and
- (v) the Minimum Revenue Provision Statement for 2018/2019.

**2. Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/2021**

That they have given consideration to the attached report of the Executive Director of Corporate Services on:

- (a) the overall revenue budget position for 2018/2019;
- (b) the projected balances position as at 31st March 2018 and 31st March 2019 and advise on their level;
- (c) a risk analysis of the Revenue Budget 2018/2019;
- (d) a summary of the emerging medium term financial position facing the Council from 2019/2020 to 2020/2021, and associated Council Efficiency strategy; and
- (e) any views received from the North East Chamber of Commerce, Trade Unions and Scrutiny Coordinating Committee.

Accordingly the Cabinet recommends the Council to approve:-

- (i) the proposals set out in the report including the proposed Revenue Budget for 2018/2019 set out at Appendix J; and
- (ii) the Medium Term Financial Strategy 2018/2019 to 2020/2021 including Efficiency Strategy as set out Appendix G and the proposed use of Capital Receipts Flexibility set out at section 9 of the report.

### **3. Determination of Council Tax 2018/2019**

That they have given consideration to a report of the Executive Director of Corporate Services making, subject to the approval of the Revenue Budget 2018/2019 (as set out at item 2 above), recommendations with respect to Council Tax levels for 2018/2019, and advising that the Council Tax is calculated using the tax bases for the areas of the City Council and Hetton Town Council as approved by Council on 24 January 2018, and setting out a number of resolutions required to be made to determine the Council Tax, including the confirmed precepts from the Major Precepting Authorities and the Parish of Hetton Town Council.

They therefore recommend the report to Council

- having advised of the statutory requirements to recommend to Council a proposed Council Tax Requirement which for Sunderland will mean a 4.99% increase to the Council Tax for 2018/2019.

and

- that Council confirm the Council Tax Requirement for its own purposes is £95,147,865 (excluding Parish precepts),

and

- i) it be noted that at its meeting on 24 January 2018 the Council approved the following amounts for the year 2018/2019 in accordance with the amended regulations made under Section 31B(3) of the Local Government Finance Act 1992 (the 'Act'):
  - a) 69,991 being the amount calculated by the Council, in accordance with the above regulation of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended by Local Authorities (Calculation of Tax Base) (England) Regulations 2012, as its Council Tax Base for the year (Item T).
  - b) 3,711 being the amount calculated by the Council, in accordance with the Regulations, as the amount of its Council Tax Base for the year for dwellings in the area of the Parish of Hetton Town Council.

- ii) The Council Tax Leaflet be made available on the Council's website and for this to be signposted on Council Tax bills. In order to meet timescales for publication, it is proposed responsibility for finalising the document be delegated to the Executive Director of Corporate Services in consultation with the Cabinet Secretary.
  
- iii) The following amounts be calculated by the Council for the year 2018/2019 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:
  - a) £646,388,605 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.
  
  - b) £551,187,079 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.
  
  - c) £95,201,526 being the amount by which the aggregate at (iii) (a) above exceeds the aggregate at (iii) (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax Requirement for the year including Parish precepts (Item R in the formula in Section 31A(4) of the Act)
  
  - d) £1,360.1967 being the amount at (iii) (c) above (Item R) all divided by Item T ((i) (a) above), calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  
  - e) £53,661 being the precept notified by Hetton Town Council as a special item under Section 34 (1) of the Act.
  
  - f) £1,359.4300 being the amount at (iii) (d) above less the result given by dividing the amount at (iii) (e) above by the Item T ((i) (a) above), calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

- g) £1,373.8900 being the amount given by adding to the amount at (iii) (f) above the amount (iii) (e) divided by the amount at (i) (b) above, calculated by the Council in accordance with Section 34 (3) of the Act as the basic amounts of its Council Tax for the year for dwellings in the area of the Parish of Hetton Town Council.

h) **Parts of the Council's Area**

<b>Valuation Bands</b>	<b>Hetton Town Council</b>	<b>All other parts of the Council's Area</b>
A	£ 915.93	£ 906.29
B	£ 1,068.58	£ 1,057.33
C	£ 1,221.24	£ 1,208.38
D	£ 1,373.89	£ 1,359.43
E	£ 1,679.20	£ 1,661.53
F	£ 1,984.51	£ 1,963.62
G	£ 2,289.82	£ 2,265.72
H	£ 2,747.78	£ 2,718.86

being the amounts given by multiplying the amounts at (iii) (f) and (iii) (g) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (iv) it be noted that for the year 2018/2019, Tyne and Wear Fire and Rescue Authority and the Police and Crime Commissioner for Northumbria have confirmed the following amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings as follows:

### Precepting Authority

<b>Valuation Bands</b>	<b>Police and Crime Commissioner for Northumbria</b>	<b>Tyne &amp; Wear Fire and Rescue Authority</b>
A	£ 73.55	£ 53.29
B	£ 85.81	£ 62.18
C	£ 98.07	£ 71.06
D	£110.33	£ 79.94
E	£134.85	£ 97.70
F	£159.37	£115.47
G	£183.88	£133.23
H	£220.66	£159.88

- (v) having calculated the aggregate in each case of the amounts at (iii) (h) and (iv) above and having received confirmation of the precept in paragraph (iv), the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2018/2019 for each of the categories of dwellings shown below.

### Parts of the Council's Area

<b>Valuation Bands</b>	<b>Hetton Town Council</b>	<b>All other parts of the Council's Area</b>
A	£ 1,042.77	£ 1,033.13
B	£ 1,216.57	£ 1,205.32
C	£ 1,390.37	£ 1,377.51
D	£ 1,564.16	£ 1,549.70
E	£ 1,911.75	£ 1,894.08
F	£ 2,259.35	£ 2,238.46
G	£ 2,606.93	£ 2,582.83
H	£ 3,128.32	£ 3,099.40

- (vi) It be noted that under Section 52ZB of the Local Government Finance Act 1992, the Authority's relevant basic amount of Council Tax for 2018/2019 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act.

(i.e. the proposed Council Tax increase for 2018/2019 means that the Council does not need to hold a referendum on its proposed council tax. The provisions set out in Section 52ZC of the Local Government Finance Act 1992 require all billing authorities (councils and precept authorities (i.e. Fire and Police authorities)) to hold a referendum on their proposed level of basic Council Tax each year if they exceed government guidelines set out annually.)

- (vii) It be noted that as Council Tax bills must show year on year increases to one decimal place in accordance with government regulations, the proposed increase of 4.99% for 2018/2019 will appear as 3.0% in respect of the council and 2.0% in respect of the adult social care precept which must be separately identified.



**CABINET – 7 FEBRUARY 2018****CAPITAL PROGRAMME 2018/2019 TO 2021/2022 AND TREASURY MANAGEMENT POLICY AND STRATEGY 2018/2019, INCLUDING PRUDENTIAL INDICATORS FOR 2018/2019 TO 2020/2021.****Report of the Executive Director of Corporate Services****1. Purpose of the Report**

- 1.1 To update Cabinet on the level of capital resources and commitments for the forthcoming financial year and seek a recommendation to Council to the Capital Strategy, overall Capital Programme 2018/2019 to 2021/2022 and the Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2018/2019 and to approve the Prudential Indicators for 2018/2019 to 2020/2021.

**2. Description of Decision**

- 2.1 Cabinet is requested to recommend to Council approval of:
- the proposed Capital Programme for 2018/2019;
  - the Council's Capital Strategy 2018/2019 to 2021/2022;
  - the Treasury Management Policy and Strategy for 2018/2019 (including specifically the Annual Borrowing and Investment Strategies);
  - the Prudential Indicators for 2018/2019 to 2020/2021;
  - the Minimum Revenue Provision Statement for 2018/2019.

**3. Background**

- 3.1 The Council already has an ambitious capital programme that is clearly linked to the corporate plan and priorities. The current capital programme contains some significant projects including IAMP, New Wear Crossing, SSTC Phase 3 Road and Vaux Phase 1.
- 3.2 On 13<sup>th</sup> December 2017, following a full consultation process, Cabinet approved a number of new start projects which have been included in this revised Programme.

**4. Capital Programme 2018/2019 to 2021/2022****4.1 General**

The proposed Capital Programme for 2018/2019 to 2021/2022 reflects the drive to deliver on the aims and priorities set out in the Economic Master Plan and the City's 3,6,9 Vision, and is aimed at securing capital investment in the City to deliver growth and jobs. The total proposed programme amounts to £281.910m, with £147.528m programmed in 2018/2019 as set out below:

Expenditure by Portfolio	Estimated Payments				
	2018/2019 £m	2019/2020 £m	2020/2021 £m	2021/2022 £m	Total £m
Leader	63.915	26.385	23.431	0.000	113.731
Deputy Leader	2.967	0.000	0.000	0.000	2.967
Cabinet Secretary	20.688	1.400	1.700	0.700	24.488
Children's Services	1.194	2.000	0.000	0.000	3.194
Health, Housing & Adult Services	3.606	0.250	0.250	0.250	4.356
Public Health, Wellness & Culture	7.674	2.650	1.000	0.000	11.324
City Services	47.484	42.784	28.136	3.446	121.850
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>147.528</b>	<b>75.469</b>	<b>54.517</b>	<b>4.396</b>	<b>281.910</b>

4.2 Members will be aware that in 2017/2018 the Council committed resources towards a capital programme spanning a five year period. Therefore the 2018/2019 to 2021/2022 programme reflects:

- on-going capital scheme commitments from previous years of £217.043m (£118.767m in 2018/2019) as set out in Appendix 2;
- new starts / additional investment of £64.867m (£28.761m in 2018/2019) summarised at section 4.6 with further detail set out in Appendix 3.

The details of the full Capital Programme for 2018/2019 to 2021/2022 are included in Appendix 4. The rest of this section of the report covers proposals for new starts / additional investments in more detail.

#### 4.3 Joint Venture Arrangements and Wholly Owned Companies

The Council formed a Local Asset Backed Vehicle (Siglion) in November 2014. Siglion's focus is on developing the three priority regeneration sites of the former Vaux brewery, Chapelgarth and Seaburn.

Similarly, Sunderland Lifestyle Partnership Ltd, formed with Sports and Leisure Management Ltd in June 2015 continues to progress investment in the expansion and refurbishment of gym and leisure facilities across the City. Major works have been completed at Silksworth Tennis Centre, the Aquatic Centre and Raich Carter. Further developments will take place at Silksworth Ski Centre in 2018/2019.

Sunderland Care and Support Ltd manage capital investments in relation to Adults Services, primarily being Disabled Facilities Grants, included in the capital programme upon funding confirmation.

The assets for Together for Children remain with the Council, with the Council being responsible for maintaining these, including schools. Spend against these assets is reflected in the capital programme.

Sunderland Housing Limited supports housing delivery and investment on behalf of the Council. The Council provides approved funding to the company for Housing investment needs, with projects reflected in the capital programme.

#### 4.4 Additional Capital Project Proposals 2018/2019 to 2021/2022 - Context

4.4.1 The financial climate requires the Council's capital programme to be focused on the key priority projects that will generate the greatest benefits in the City. Project proposals for consideration for inclusion within the capital programme are therefore aligned to:-



- The aims and priorities set out in the Council's Corporate Plan and the 3,6,9 Vision for transforming the City, which identifies initiatives, projects and ideas that will help shape the City in the coming years.
- A Capital Strategy which has been developed in line with guidance issued by CIPFA as part of its revised Prudential Code. The strategy provides a framework within which the Council's capital investment plans will be prioritised and delivered. The Capital Strategy 2018/2019 to 2021/2022 is attached at Appendix 1.
- The more detailed strategies that support the Corporate Plan and 3,6,9 vision including in relation to Regeneration, Housing, Transport, the Local Plan and Culture.
- The need to continue to scan for opportunities for accessing additional public sector, Government and European funding and to leverage private sector funding into the City.
- Our continued commercial approach to securing capital investment in the City in order to deliver growth and jobs.

4.4.2 The Council's Corporate Plan sets out the priorities for the City, which are reflected in the Capital Strategy as:

- Regenerating the City
  - Growing the economy
  - Improving education and skills
  - Improving Health and Wellbeing
- Safeguarding our Residents
  - Supporting vulnerable children and families
  - Supporting vulnerable adults and carers
  - Building resilient communities
- Future Council
  - New ways of working and collaboration
  - New ways of delivering services

4.4.3 In the light of the above priorities, the proposed additional capital projects for 2018/2019 to 2021/2022 take into account:

- A focus on contributing to strategic priorities by investing in:
  - City centre regeneration,
  - Economic regeneration and inward investment,
  - City wide infrastructure, and
  - Area based infrastructure and public realm.
- The Council's reducing resources (both in terms of available finance and people resources);
- A required emphasis on investing to save and maximising return on investment, to:
  - Ensure a commercial return on investment;
  - Grow the Council's income base;
  - Attract and support more and better jobs and economic growth;
  - Arrest and reverse our population decline and generate additional income through New Homes Bonus and increased Council Tax from new housing;

- Provide infrastructure development which attracts and complements private sector investment and development, generating additional business rates; and
- Generate and support future funding opportunities and streams which encourages and levers in private sector investment.
- Working with key partners to review physical assets on a city-wide basis and maximise the potential benefits and opportunities of wider capital and infrastructure planning;
- Maximising the benefits of existing delivery partnerships (such as Siglion and Sunderland Lifestyle Partnership Ltd); and
- The requirement for investment to enable continued front line service delivery.

#### 4.5 Resources Available for New Starts / Additional Investments

##### 4.5.1 Resources - Grants

The availability of new external funding from significant regional funding programmes, such as the Local Growth Fund, is now severely restricted. As reported to Cabinet in December 2017, resources have been allocated regarding Transport, Better Care Fund and Education grants on the basis of their specific purpose approvals and will be allocated to those relevant services areas.

The table below details Government Grants announced for 2017/2018 onwards.

	2017-18	2018-19	2019-20	2020-21
	£'000	£'000	£'000	£'000
Highways Capital Maintenance	2,939	2,660	2,660	2,660
Highways Capital Maintenance – Incentive Funding	248	554	554	554
Pot Hole Funding	260	479	tbc	tbc
Highways Integrated Transport	1,606	1,606	1,606	1,606
Nexus Allocation	42	42	tbc	tbc
National Productivity Investment Fund (NPIF) - Transport	932	3,360	tbc	tbc
Safer Roads Funding	210	tbc	tbc	tbc
<b>Total Transport</b>	<b>6,237</b>	<b>8,701</b>	<b>4,820</b>	<b>4,820</b>
Better Care Fund (DFG)	3,085	tbc	tbc	tbc
Disabled Facilities Grants	258	tbc	tbc	tbc
<b>Total Health, Housing and Adult</b>	<b>3,343</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
Schools Condition Allocation	1,455	tbc	tbc	tbc
Education Basic Need	0	0	386	tbc
Schools Devolved Funding	388	tbc	tbc	tbc
Early Years 30hrs Free Childcare	580	0	0	0
SEND	0	166	167	167
<b>Total Department for Education</b>	<b>2,423</b>	<b>166</b>	<b>553</b>	<b>167</b>

The Council is awaiting further details of grants that will be awarded to support the 2018/2019 capital programme, which will be reported to Cabinet in due course.

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

Appendix 3 sections 2 to 4 set out details of proposed use of the above 2018/2019 funding.

#### **4.5.2 Resources – Capital Receipts and Reserves**

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

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

Following a review of available resources it is proposed that £2.754m capital receipts and £7.081m capital reserves be used to support the capital programme proposals (£1.508m in 2018/2019 and £8.327m in future years).

Elsewhere on the agenda, the Revenue Budget and Proposed Council Tax report for 2018/2019 sets out the Council Efficiency Strategy for the period 2018/2019 to 2020/2021. In accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes, the Strategy includes the continued proposed use of capital receipts arising in 2017/2018 to 2020/2021 to support transformation costs arising from implementing the Council's savings programme for 2017/2018 to 2020/2021. This will ensure the Council has maximum flexibility in funding options available to meet the transformational costs at outturn. The position will be kept under review and final decisions on funding options will be made at outturn, in light of the overall corporate position, actual capital receipts realised and available earmarked reserves. While it is noted that using capital receipts to fund transformation projects means this funding is not available for capital projects, the new starts projects within the proposed Capital Programme are all fully funded from either borrowing, earmarked capital reserves or external grants and contributions.

#### **4.5.3 Resources – Revenue Contribution to Capital Outlay (RCCO)**

Given the continued austerity measures and the requirement for the council to identify £53m savings for 2018/2019 to 2020/2021, the 2018/2019 does not include a Revenue Contribution to Capital.

#### **4.5.4 Resources – Borrowing**

While historically the Council has utilised flexibility in funding its capital programme through the use of prudential borrowing, the scale of the £53m budget gap means the capacity for new prudential borrowing is limited. Additional borrowing results in additional debt charges which must be affordable within the revenue budget planning with appropriate provision included within the base budget and MTFS.

The budget includes prudent provision for capital financing charges that may arise from an additional net £34.355m of prudential borrowing (£13.815m in 2018/2019 and £20.540m from 2019/2020). Some additional 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. It is proposed to use this borrowing flexibly by switching with surplus capital receipts once realised. This would reduce planned capital finance charges that may arise from this borrowing.

#### **4.5.5 Resources – Other Funding – Enterprise Zones**

The current capital programme includes two enterprise zones at the IAMP site and part of the Port of Sunderland. All of the business rates generated on these enterprise zones for the 25 year life of the enterprise zone are payable to the North East LEP. The current programme assumes this resource is then distributed by the North East LEP to meet / contribute to the costs associated with funding the infrastructure works associated with these zones. To the extent that insufficient business rates are generated compared to the financing costs of the infrastructure works then there remains a risk that the council would need to meet this shortfall over time.

At this time there are no additional Enterprise Zones proposed by Government within the Sunderland area.

#### **4.6 Detailed Proposals for New Starts and Capital Programme 2018/2019 to 2021/2022**

4.6.1 Following consultation with Portfolio Holders and approval by Cabinet in December 2017, the projects in the table below are included in the capital programme for 2018/2019 to 2021/2022 with further details set out in Appendix 3.

4.6.2 Projects have been categorised into three main themes:

- Strategic Regeneration (Appendix 3, section 1.1) - covering physical infrastructure works and inward investment;
- Invest to Save Projects (Appendix 3, section 1.2) - where investment will generate cost savings, enable additional income generation or protect existing income generation;
- Support for Front Line Service Delivery (Appendix 3, section 1.3) - investment to enable the efficient and effective operation of front line services.

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

Appendix 3 Ref	Project Name	Total Project Spend £'m	Spend 2018/19 £m	Spend Future Years £m	External Funding £'m	Council Provision in Current Capital Programme £'m	Additional Council Funding £m
<b>Strategic Regeneration (Physical and Inward Investment)</b>							
1.1.1	SSGA - School Extensions - St Pauls CE VC Primary and Benedict Biscop Primary	2.000	0.000	2.000	0.000	0.000	2.000
1.1.2	SSGA - Ryhope Doxford Link Road	5.000	0.000	5.000	0.000	0.000	5.000
1.1.3	A19/A690 Doxford Park Junction Improvement Scheme - Capacity Improvement Measures	1.919	1.919	0.000	1.439	0.000	0.480
1.1.4	Coastal Defence - Strategic Frontage 3 (Port)	10.500	1.575	8.925	2.930	1.634	5.936
1.1.5	Sunderland Seafront Trust - Development of Seafront Assets	1.100	0.000	1.100	0.600	0.000	0.500
1.1.6	Seaburn Public Realm	0.325	0.025	0.300	0.000	0.000	0.325
1.1.7	City Centre Regeneration – Support for City Centre Masterplanning	10.730	9.730	1.000	0.000	5.940	4.790
1.1.8	Provision for Economic Development Grants	2.100	0.000	2.100	0.000	0.000	2.100
1.1.9	Increasing Access to Heritage through technology and other solutions – Development of local studies and heritage centre	3.500	0.000	3.500	3.000	0.000	0.500
1.1.10	Sunderland Illuminations	0.150	0.000	0.150	0.000	0.000	0.150
1.1.11	Former Usworth Comprehensive School Site Enabling Works	0.510	0.510	0.000	0.000	0.000	0.510
<b>Total</b>		<b>37.834</b>	<b>13.759</b>	<b>24.075</b>	<b>7.969</b>	<b>7.574</b>	<b>22.291</b>
<b>Invest to Save</b>							
1.2.1	Assistive Technology in Adult Social Care	1.050	0.300	0.750	0.000	0.000	1.050
1.2.2	Derwent Hill Bunkhouse, campsite and wheelchair access	0.305	0.305	0.000	0.000	0.000	0.305
1.2.3	Software Centre Car Park (Murton St)	0.356	0.356	0.000	0.000	0.000	0.356
1.2.4	Roker Car Park Expansion - Marine Walk	0.150	0.050	0.100	0.000	0.000	0.150
1.2.5	Port Mobile Crane	2.876	2.876	0.000	0.000	0.000	2.876
1.2.6	LED Lighting in Operational Buildings - Energy Efficiency	0.500	0.500	0.000	0.000	0.000	0.500
1.2.7	Sunderland Museum and Winter Gardens – Minor Works / Improvements	0.335	0.335	0.000	0.000	0.000	0.335
<b>Total</b>		<b>5.572</b>	<b>4.722</b>	<b>0.850</b>	<b>0.000</b>	<b>0.000</b>	<b>5.572</b>
<b>Supporting Front Line Services</b>							
1.3.1	Replacement Household Waste and Recycling Centre	5.000	1.500	3.500	0.000	0.000	5.000
1.3.2	Refuse Collection Vehicle Replacement Programme	3.780	0.000	3.780	0.000	0.000	3.780
1.3.3	Specialist (Large) Vehicle Fleet Replacement Programme	1.920	0.873	1.047	0.000	0.000	1.920
1.3.4	Redevelopment of Parsons Depot	6.854	4.000	2.854	0.000	1.227	5.627
<b>Total</b>		<b>17.554</b>	<b>6.373</b>	<b>11.181</b>	<b>0.000</b>	<b>1.227</b>	<b>16.327</b>
<b>Service New Grant Allocations</b>							
2.0	Transport (Highways) Schemes	3.741	3.741	0.000	3.741	0.000	0.000
3.0	Health, Housing & Adults - awaiting Better Care Fund allocation	0.000	0.000	0.000	0.000	0.000	0.000
4.0	Children's Services - awaiting majority of schools allocations	0.166	0.166	0.000	0.166	0.000	0.000
<b>Total</b>		<b>3.907</b>	<b>3.907</b>	<b>0.000</b>	<b>3.907</b>	<b>0.000</b>	<b>0.000</b>
<b>TOTAL</b>		<b>64.867</b>	<b>28.761</b>	<b>36.106</b>	<b>11.876</b>	<b>8.801</b>	<b>44.190</b>

4.6.3 The proposed additional new starts / additional investment totals £64.867m, (£28.761m in 2018/2019 and £36.106m in future years). Of the total £64.867m:

- £11.876m is externally funded;
- £8.801m is existing council funding already included in the current capital programme;
- The remaining balance of £44.190m is to be met from available Council resources, as follows:
  - £2.754m capital receipts
  - £7.081m capital reserves
  - £34.355m prudential borrowing.

It is important to note that:

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

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

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

4.6.6 Additional capital project proposals were approved by Cabinet on 13th December 2017. The Scrutiny Committee on 11th January 2018 acknowledges the capital programme and is satisfied with the proposed variation to the Capital Programme.

#### **4.7 Further Reports**

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

### **5. Prudential Framework and Code**

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

- 5.2 Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support, not just for the current year but also for future years. The basic principle is that authorities are free to invest as long as their capital spending plans are affordable, sustainable and prudent. This allows the Council the freedom to manage and control its capital programme and how it is financed. The key elements of control and management of capital finance are through:
- capital expenditure plans – the Council's Capital Programme;
  - external debt - how the Council proposes to fund its Capital Programme;
  - treasury management – the management of the Council's investments, cash flows, banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks.
- 5.3 To demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability the Council has in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Capital Strategy 2018/2019 to 2021/2022 is set out at Appendix 1. The Strategy forms a part of the Council's integrated revenue, capital and balance sheet planning.
- 5.4 All authorities must follow the latest prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process. The prudential and treasury management indicators have been prepared for the financial year 2018/2019, 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.
- 5.5 All of the indicators together with background information to these indicators and what they are seeking to assess, are detailed in Appendix 5 in full compliance with the code.
- 5.6 Regulations came into force on 31<sup>st</sup> March 2008 which requires local authorities to repay an element of its capital financing requirement each year through a revenue charge known as the Minimum Revenue Provision (MRP). Local authorities have a statutory requirement to make a prudent level of provision and to have regard to Department for Communities and Local Government (DCLG) guidance when assessing its MRP. DCLG are consulting on revisions to their MRP guidance for accounting periods starting on or after 1<sup>st</sup> April 2018 and this proposed revised guidance has been considered when setting the MRP policy for 2018/2019. Authorities must set, each year, an amount of MRP it considers prudent. It is also recommended that an annual statement of its policy on making a MRP in respect of the following financial year is submitted to full Council for approval.

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

5.8 It is proposed the Council continue the MRP policy used in 2017/2018 and a recommended Minimum Revenue Provision Statement for 2018/2019 for the Council is set out in Appendix 6.

## **6. Treasury Management**

### **6.1 General**

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

### **6.2 Statutory requirements**

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

- adopt a Treasury Management Policy Statement (detailed in Appendix 7),
- to set out its Treasury Management Strategy comprising the Council's strategy for borrowing and the Council's policies for managing its investments, and giving priority to the security and liquidity of those investments (set out in Appendix 8).

The Department of Communities and Local Government 'Guidance on Local Government Investments', is currently being updated and subject to a consultation with results planned to take effect from 1<sup>st</sup> April 2018. The Chartered Institute of Public Finance and Accountancy (CIPFA) updated its Treasury Management in the Public Services Code of Practice in December 2017 (previously updated November 2011). The Council are statutorily required to have regard to this advice when setting its Treasury Management Policy Statement and Treasury Management Strategy and are taking proposed changes into account. Any variations considered necessary to the TMPS and TMSS resulting from the outcome of the consultation will be reported to future Council meetings.



### 6.3 CIPFA Code of Practice requirements

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

The primary requirements of the Code include that:

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

The content of the policy statement is detailed in Appendix 7 and the TMPs follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the particular circumstances of the Council and these do not result in the Council materially deviating from the Code's key principles.
2. The Council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year ahead, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director of Corporate Services, who acts in accordance with the organisation's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council's Audit and Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### 6.4 Treasury Management Strategy Statement for 2018/2019

- 6.4.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments in 2018/2019.
- 6.4.2 There are no major changes being proposed to the overall Treasury Management Strategy in 2018/2019, which maintains the careful and prudent approach adopted by the Council in previous years. Particular areas that inform the strategy include the extent of potential borrowing included in the Council's capital programme, the availability of borrowing, and the current and forecast global and UK economic positions, in particular forecasts relating to interest rates and security of investments.
- 6.4.3 The proposed Treasury Management Strategy Statement for 2018/2019 is set out in Appendix 8 and is based upon the views of the Executive Director of Corporate Services, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Link Asset Services.

6.4.4 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. The Council's performance for 2017/2018 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.26% is low in comparison with other local authorities whilst the current rate earned on investments at 0.62% is higher than the benchmark rate of 0.17%. Market conditions are under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

## **7. Reasons for Decision**

7.1 To comply with statutory requirements.

## **8. Alternative Options**

8.1 No alternative options are proposed.

## **9. Impact Analysis**

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

## **10. List of Appendices**

10.1 Appendix 1 - Capital Strategy 2018/2019 to 2021/2022  
Appendix 2 - Capital Commitments into 2018/2019  
Appendix 3 - Capital Programme 2018/2019 New Starts / Additional Investments  
Appendix 4 - Capital Programme 2017/2018 to 2021/2022  
Appendix 5 - Prudential and Treasury indicators 2018/2019 to 2020/2021  
Appendix 6 - Minimum Revenue Provision Policy Statement 2018/2019  
Appendix 7 - Treasury Management Policy Statement  
Appendix 8 - Treasury Management Strategy Statement for 2018/2019

## **11. Background Papers**

Cabinet Report – Capital Programme Planning 2018/2019 to 2021/2022

## Capital Strategy 2018/2019 to 2021/2022

### 1. INTRODUCTION

1.1 The aim of the Sunderland City Council Capital Strategy is to provide a framework within which the Council's capital investment plans will be prioritised and delivered. It has been prepared over a four year time frame from 2018/19 to 2021/22. Recognising that there is uncertainty, especially over Local Government Finance and EU funding in later years, the strategy focuses on 2018/19 and 2019/20 in more detail.

1.2 The Capital Strategy is driven by the Council's Corporate Plan, which sets out the priorities for the City:

- **Regenerating the city**
  - Growing the economy
  - Improving education and skills
  - Improving Health and Wellbeing
- **Safeguarding our Residents**
  - Supporting vulnerable children and families
  - Supporting vulnerable adults and carers
  - Building resilient communities
- **Future council**
  - New ways of working and collaboration
  - New ways of delivering services

Further detail on how the Capital Strategy addresses these priorities is set out at section 4.

1.3 The Capital Strategy forms a key part of the Medium Term Financial Strategy (MTFS) and Revenue Budget planning.

1.4 The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). The Code is issued and maintained by the Chartered Institute of Public Finance and Accountancy. Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes, providing that their capital spending plans are affordable, sustainable and prudent. The Council's longer term financial needs alongside a projection of forecast external debt and borrowing are detailed within the Prudential and Treasury Indicators 2018/2019 to 2020/2021 and within the Treasury Management Strategy Statement.

## **2. OBJECTIVES**

### **2.1 The key aims of the Capital Strategy are to:**

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

## **3. GOVERNANCE OF THE CAPITAL PROGRAMME**

- 3.1** To ensure that available resources are allocated optimally and deliver value for money, capital programme planning is determined in parallel with the service and revenue budget planning process within the framework of the MTFS.
- 3.2** New programmes of expenditure are appraised alongside grant allocation programmes following a defined process.
- 3.3** The Council has a mechanism in place which seeks to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's aims. These include:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:
    - Full Council, which is ultimately responsible for approving the Capital Strategy, the Treasury Management Strategy and the Capital Programme;
    - The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Programme. The Cabinet also monitors delivery of the capital programme;
    - Scrutiny Coordinating Committee who consider the programme of new starts for inclusion in the Capital programme and review the MTFS and make recommendations to Cabinet where appropriate;
    - The Audit and Governance Committee which is responsible for monitoring the Treasury Management Policy and Strategy, including prudential indicators and can make recommendations to Cabinet and Full Council;
    - All projects which progress follow the requirements of the constitution and financial regulations including Financial Procedure Rules and Procurement Procedure Rules.
  - Officer Groups which bring together a range of service interests and professional expertise. These include:
    - The Chief Officer Group (COG) which has responsibility for the strategic development, management and monitoring of the capital programme directly and through a number of sub groups including Economy & Place Senior Management Team and People's Senior Management Team;
    - Directorate Management Teams overseeing and approving business cases for investments prior to sign off by finance and legal for submission to COG and Cabinet for consideration;
    - Specific Programme and Project boards with wide ranging membership are also created as appropriate to oversee significant capital development projects as required.
- 3.4 For new projects and programmes business cases are submitted that include capital investment, repayment mechanisms, revenue impacts and full lifetime costings. These are reviewed and appropriate recommendations made to COG, prior to inclusion in a cabinet report to take the project forward under the constitution. New projects are approved either as part of the annual Capital Programme process, or during the year as new requirements or opportunities emerge which will also require COG and Cabinet approval.
- 3.5 Monitoring of the programme will include expenditure profiling and the delivery against timetable for each project. This in turn informs the debt cost of projects and the associated revenue impacts.

- 3.6 Quarterly reports are submitted to Cabinet that identify changes to this programme to reflect:
- New resource allocations;
  - Slippage and acceleration in programme delivery;
  - Programmes reduced or removed;
  - Virements between schemes and programmes to maximise delivery;
  - Revisions to expenditure profile and/or funding to ensure on-going revenue costs are minimised;
  - Revisions to timelines and significant changes in anticipated outcomes.
- 3.7 The Council will need to ensure that strong partnership arrangements are in place to enable truly collaborative working. This includes the key partnerships of the Tyne and Wear City Region, North East Combined Authority and North East Local Enterprise Partnership.

#### **4. CAPITAL PRIORITIES**

- 4.1 The council's capital priority areas are aligned to the Corporate Plan 2016-2020. The use of resources will seek to maximise the most positive impact on these priorities. The priority areas are:

##### **4.2 Regenerating the City**

###### **4.2.1 Growing the economy**

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

Examples include:

- Encouraging key sector growth through the delivery of the International Advanced Manufacturing Park and the Port Enterprise Zone.
- Support to local businesses such as via economic development grants and the securing of major events such as Tall Ships 2018 with associated Council investment.
- Regenerating the city centre through the Vaux site, Sunderland Station and the Investment Corridors, as well as strategic acquisitions to support a City Centre investment strategy.
- Infrastructure improvements including the new Wear crossing, Sunderland Strategic Transport Corridor 3 (SSTC 3), Northern Gateway, Sunderland South Growth Area, Strategic Frontage 3 coastal defence and on-going highways, bridges and local transport maintenance/improvements.
- Housing delivery with Sunderland Homes Limited supporting housing delivery and investment on behalf of the Council.

#### **4.2.2 Improving skills and education**

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

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

Examples of investment to achieve this aim include:

- Increasing pupil places to meet needs from housing growth, such as the planned school extensions as part of the South Sunderland Growth Area.
- Ensuring schools have a healthy and safe environment such as renewal/improvement of heating systems, roofs and windows in various schools.

#### **4.2.3 Improving Health and Wellbeing**

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

Current examples include:

- Improvement of facilities including the creation of a new sustainable model for football facilities based around ('3G') artificial turf pitches on identified Hub sites, providing opportunities for community participation, via the Park Life project.
- Improvement of cultural offerings including the redevelopment of Hylton Castle to bring it back into use as a community-led heritage visitor centre.

#### **4.3 Safeguarding our residents**

The Corporate Plan priorities in this area are:

- Supporting vulnerable children and families – providing services that help prevent and reduce the risk and harm to vulnerable children and services that will ensure the best possible outcomes for all our children, young people and families.
- Supporting vulnerable adults and carers – supporting vulnerable people to help them live as independent, healthy and active a life as possible.
- Building resilient communities – continuing to work collaboratively to build community capacity across the city.

Capital investment to support this approach includes:

- Replacement of the Children's and Adults Social Care case management system to support front line practitioners in discharging their professional duties to vulnerable children and adults in a more efficient and effective manner.
- Enabling vulnerable people to remain in their homes for longer by provision of grants to support physical adaptations to properties and also by provision of assistive technology to transform service delivery, increase staff productivity and generate savings.

#### **4.4 Future Council**

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

- Refreshment of the Council's ICT infrastructure to support transition to new planned and on demand offerings.
- Provision of more efficient Council buildings and infrastructure including use of modern technology such as solar pv's, battery storage and LED lighting.
- Improved customer service provision including the new customer services technology platform to improve the quality and accessibility of customer services.

The Asset Management Plan (AMP) identifies significant backlog maintenance issues across the Councils property portfolio. The AMP identifies the necessary investment needed to bring the remaining asset stock up to current standards which would require a level of investment that is currently unaffordable. Given the Councils priority is to dispose of any surplus assets then the limited capital resources available via grant, capital receipts and private sector are prioritised to maximise outputs with minimal on-going future revenue costs.

### **5. FUNDING APPROACH**

- 5.1 The council will continue to take a commercial approach to securing capital investment in the city in order to deliver growth and jobs. The council will increasingly work with partners to continue to invest in the regeneration of the city to maximise the use of resources available and delivery of outcomes. This in turn will help maximise income available to the city through council tax, business rates and new homes bonus.



- 5.2 There are a range of potential funding sources which can be generated locally either by the Council itself or in partnership with others. The Council continues to seek new levels of private sector investment to match against its capital programme, this may be additional capital receipts from land sales, joint funding opportunities across the private sector or City Region approved funds on a wide range of projects.
- 5.3 The strategy, the outcomes of which inform the Medium Term Financial Strategy, is intended to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFS. This helps ensure that each business case has a robust self-sustaining financial model that delivers on the wider outcomes of the strategy.
- 5.4 The main sources of capital funding are summarised below:
- 5.4.1 Central Government and Local Enterprise Partnership
- Grants are allocated in relation to specific programmes or projects and the Council seeks to maximise such allocations, developing appropriate projects and programmes which reflect government and partnership led initiatives and agendas but which address priority needs in the City.
  - The majority of “planned” capital expenditure for maintenance of transport infrastructure, school buildings and provision of Disabled Facilities are provided by appropriate specific grants.
- 5.4.2 Leverage of External Funding

The council continues to explore and maximise external funding opportunities to support its core priorities. Significant investment has been secured to date from central government and regional funds (i.e. Local Growth Fund) to support the current capital programme, namely; the International Advanced Manufacturing Park (IAMP), Sunderland Strategic Transport Corridor Phase 3 (SSTC3), Vaux Phase 1 and the Port of Sunderland Enterprise Zone. With the regional Local Growth Fund now fully committed new funding opportunities are beginning to emerge.

The Governments 2016 Autumn Statement announced the new National Productivity Fund that will add £23 billion in high value investment from 2017/2018 to 2021/2022. The Fund is allocated across a number of priority areas, including housing (for example, the Housing Infrastructure Fund launched in July 2017), research and development, and economic infrastructure including transport. The subsequent Industrial Strategy, launched in November 2017, provides an overview of policy priorities and indicative budgets for investment in transport, housing and digital infrastructure, research and innovation and business finance. Working with public and private partners, the council will continue to identify and develop local project priorities that can secure new investment from these funding opportunities.

In December 2017, the EU and the UK Government agreed that the EU Structural Funds will continue to operate as normal in the UK up until the end of 2020.

Opportunities to access EU funding programmes will therefore continue for the next 2-3 years until the remaining funds are fully committed. While the above agreement provides reassurance on the NELEP area's £437m ESIF allocation for 2014-2020, local government and regional partners continue to lobby for a UK successor programme that will operate beyond 2020 for which there is currently limited information.

The 2017 Conservative Manifesto promised that the Government would “use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy.” Development of the UK Shared Prosperity Fund is being led by the Department for Communities and Local Government.

### 5.4.3 Developer Private Funding

- The Council formed a Local Asset Backed Vehicle (Siglion) in November 2014. Early focus is on developing the three priority regeneration sites of the former Vaux brewery, Chapelgarth and Seaburn.
- In 2015 the Council formed the Sunderland Lifestyle Partnership with Sports and Leisure Management Ltd. This partnership continues to progress investment in the expansion and refurbishment of gym and leisure facilities across the City. Major works to date have been completed at Silksworth Tennis Centre, the Aquatic Centre and Raich Carter. Further developments will continue, with improvement works planned in 2018/2019 at Silksworth Ski Centre.
- Private sector led development will continue to be sought towards the provision of public or private assets or facilities. The City Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. It will also continue to work with the CCG, Health providers and other public agencies to consider projects that are to the mutual benefit of all parties.
- In some cases contributions are received in order to mitigate the impact of their development on communities and often referred to as Section 106. These contributions are usually earmarked for specific purposes in planning agreements and often related to infrastructure projects. Developers may also contribute to Highways Infrastructure through section 38 and 278 agreements to facilitate their development.

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

#### 5.4.4 Internal funding

- Prudential “unsupported” borrowing

Under the Prudential Code the Council has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded, in accordance with the annually approved Minimum Revenue Provision Policy, either from the project returns or upon agreement to include in the MTFS debt charges estimates. This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable. Prudential borrowing does provide an option for funding additional capital development but one which has to be affordable each year from within the revenue budget or from generating additional on-going longer term income streams or efficiency savings.

Given the pressure on the Council's revenue budget, prudent use has been made of this discretion in cases where there was a clear financial benefit, such as “invest to save”, “spend to earn” or major regeneration schemes which provide a net return over and above the borrowing cost. The Council will continue to consider on a cautious and prudent basis the extent to which prudential borrowing may be undertaken to fund, new capital investment, which generates returns over and above the revenue costs of the debt, in accordance with an agreed Investment Strategy.

- Capital receipts from asset disposals

The Council has a substantial property estate, mainly for operational service requirements and administrative buildings. The disposal strategy within the Asset Management Plan identifies properties which are surplus to requirements and which can be disposed of.

Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. As part of its property rationalisation programme the Council is marketing sites when it is felt to be the appropriate time in order to achieve best value and help support operational efficiencies. The Strategy includes the continued proposed use of capital receipts to support costs arising from implementing the Council's savings programme, in accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes through to April 2022. This will ensure the Council has maximum flexibility in funding options available to meet any such costs at outturn. The position will be kept under review throughout the year and final decisions on funding options will be made at outturn, in light of the overall corporate position, actual capital receipts realised and available earmarked reserves.

The Council will continue to maintain a policy of not committing receipts in advance of realisation and will not ring-fence the use of such capital receipts to fund new investment in specific schemes or service areas, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities.

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

Receipts realised will be used to assist the City Councils long term financial position. This will include appraisal of the options to maximise revenue benefits, this could include:

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

- **Capital Reserves**

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

- **Lease finance**

Where alternative funding is not available for vehicles or minor equipment and the revenue budget does not allow for a full capital repayment and there is a robust business case, then the option of leasing may be considered where this provides best value. The financing of expenditure by lease needs to take into account:

- Value of expenditure.
- Residual value.
- Life span of equipment matches the funding proposed.
- The equipment to be replaced is part of a rolling programme that covers the whole service area or by type of equipment.
- The Council will only utilise operational leases for purchase of minor equipment, IT and vehicles when supported by an appropriate robust business case.

- **Revenue**

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

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

#### 5.4.5 Alternative Sources of Financing

##### Enterprise Zones:

As at 2018 Sunderland currently have three live Enterprise Zone sites, A19 Low Carbon Zone, land at the Port of Sunderland and IAMP Phase 1. The Government's Enterprise Zone model allows all business rates growth generated by the Enterprise Zone to be kept by the relevant local enterprise partnership (LEP) for a period of 25 years. To unlock sites the LEP has approved a model of forward funding necessary infrastructure work, whereby local authority borrowing is financed through the future flow of business rates growth receipts.

##### Tax Incremental Finance (TIF):

Tax increment financing (TIF) permits local authorities to borrow money for infrastructure projects against the anticipated increase in tax receipts resulting from the infrastructure. Opportunities for TIF arrangements will be considered as appropriate and, where agreed to be pursued, arrangements will be negotiated and agreed with Central Government.

## 6. **BALANCED PORTFOLIO APPROACH**

- 6.1 The Council will assess its overall approach to capital investment. This will reflect those investments made into the delivery of Council Services and those designed for wider economic basis. A detailed Investment strategy will be prepared within a wider regeneration framework and reported back to Cabinet and Council in due course.

## Current Approved Capital Programme Commitments from 2018/2019 to 2020/2021

Project	Existing Capital Programme		
	2018/2019	2019/2020 to 2020/2021	Total
	£m	£m	£m
International Advanced Manufacturing Park (IAMP)	37.254	42.651	79.905
SSTC3 Road	11.111	38.963	50.074
Northern Gateway	4.286	0.000	4.286
Other Transport Schemes (inc NPIF)	3.266	2.100	5.366
Park Life - FA Football Hubs	10.000	2.000	12.000
Port Enterprise Zone	10.200	0.000	10.200
Vaux Phase 1	6.300	0.000	6.300
LED Street Lighting Phase 2	3.300	2.900	6.200
Investment Corridor	1.078	3.315	4.393
A19 Ultra Low Carbon Enterprise Zone	3.947	0.000	3.947
Leisure Facility	3.804	0.000	3.804
Railway Station including Public Realm	0.408	2.850	3.258
Solar PV Battery Storage	2.937	0.000	2.937
Roker Park Improvement	0.052	2.868	2.920
Pilot Housing Delivery Project	2.600	0.000	2.600
Hylton Castle Redevelopment	2.335	0.000	2.335
Strategic Land & Property Acquisitions	2.000	0.000	2.000
Chester Road - Highways	2.000	0.000	2.000
ICT	1.887	0.000	1.887
Public Realm - former Crowtree Road Leisure Centre	1.702	0.000	1.702
Minster Quarter Access Road	1.496	0.000	1.496
Moorside Data Centre	1.080	0.000	1.080
Flood Mitigation & Coastal Protection	0.816	0.254	1.070
Other Projects (<£1m)	4.908	0.375	5.283
<b>TOTAL CURRENT PROGRAMME</b>	<b>118.767</b>	<b>98.276</b>	<b>217.043</b>

## Capital Programme 2018/2019 to 2021/2022 – New Starts / Additional Investments

### 1. Other Capital New Start / Additional Investment Proposals 2018/2019 to 2021/2022

The following projects are proposed for inclusion in the 2018/2019 capital programme. Gross amounts represent the total estimated project cost, and net amounts represent the estimated net increase in Council financial investment after taking into account external funding or existing capital programme provision.

#### 1.1 Strategic Regeneration New Start Proposals

The following projects are investments that are required to support physical infrastructure works and inward investment in the city:

##### 1.1.1 South Sunderland Growth Area – School Extensions £2.000m project cost in 2019/2020

Sunderland South Growth Area plans will generate demand for school places growth with 2 school extensions (105 places each) required to meet demand in advance of a new school requirement in the longer term. The upfront investment will be recouped through S106 over the longer term. Extensions are planned to St Pauls CE VC Primary and Benedict Biscop Primary Academy.

##### 1.1.2 South Sunderland Growth Area – Ryhope Doxford Link Road £5.000m project cost (£1.000m in 2019/2020, £3.000m in 2020/2021 and £1.000m in 2021/2022)

Investment in the road infrastructure which will support new homes in SSGA in advance of S106 funding. SSGA is to provide; 4,000 family and executive homes and will result in council tax growth, New Homes Bonus, 300 affordable homes and significant construction job creation/safeguards.

##### 1.1.3 A19/A690 Doxford Park Junction Improvements £1.919m gross project cost, £0.480m net, in 2018/2019

Capacity improvement measures at the A19/A690 Doxford Park junction including upgrade of the A19 southbound off-slip road. The proposals will support delivery of approaching 1,000 dwellings prior to 2021 and a further 4,000 dwellings subsequently, facilitating SSGA. The net position reflects match funding requirement for Highways England funding bid.

##### 1.1.4 Strategic Frontage 3 – Coastal Defence £10.500m gross project cost, £5.936m net (£1.575m in 2018/2019, £5.250m in 2019/2020, £3.150m in 2020/2021 and £0.525m in 2021/2022)

Coastal defence scheme situated around east of the port which will protect the Ports infrastructure. The net cost reflects a potential funding gap should ERDF bid not be successful.

##### 1.1.5 Sunderland Seafront Trust - Development of seafront assets £1.100m gross project cost, £0.500m net (£0.100m in 2019/2020 and £1.000m in 2020/2021)

The net project cost reflects the match funding requirement for Coastal Communities R5 bid, providing a total £1.1m fund for further development of sea front assets in conjunction with the Seafront Trust. The proposal is to bring into use vacant assets as commercial premises. The project is included on basis of match funding approval.

**1.1.6 Seaburn Public Realm £0.325m project cost (£0.025m in 2018/2019 and £0.300m in 2019/2020)**

Works will bridge the gap in previous public realm works and planned Siglion works at the Sea Front in front of Amusements at bottom of Dykelands Road. The scheme will include new paving, seating, and steps.

**1.1.7 City Centre Regeneration £10.730m gross project cost, £4.790m net (£9.730m in 2018/2019 and £1.000m in 2019/2020)**

Provision to support a City Centre Masterplanning investment strategy, allowing timely acquisitions of critical sites, in target regeneration areas. Resources are proposed to support strategic land and building acquisitions focusing on city centre regeneration. Any acquisitions will be supported by an approved Masterplan for the overall development area.

**1.1.8 Provision for Economic Development Grants £2.100m project cost (£0.700m in 2019/2020, £0.700m in 2020/2021 and £0.700m in 2021/2022)**

Provision for financial assistance for inward investment and job growth in order to lever in significant job creation and private sector investments. Growth areas including Vaux and IAMP may require assistance packages over coming years.

**1.1.9 Increasing Access to Heritage through Technology and Other Solutions - Development of local heritage centre £3.500m gross project cost, £0.500m net (£2.500m in 2019/2020 and £1.000m in 2020/2021)**

Investment to provide technological and other solutions which will improve ready access to the heritage offer. This will include a Local Studies and Heritage Centre within Sunderland Museum and Winter Gardens with digital facilities including archive storage, shelving, touchdown spaces and exhibition displays. Included within the capital programme on basis of the success of external funding proposals through HLF, Trusts and Foundations.

**1.1.10 Sunderland Illuminations £0.150m project cost in 2019/2020**

Purchase of lighting features for the 2019 event, to support the Seafront offer and local traders, attracting over 100,000 visitors annually.

**1.1.11 Former Usworth Comprehensive School Site Enabling Works £0.510m project cost in 2018/2019**

Site enabling works to facilitate the proposed residential development of land. The enabling works will consist of provision of a new separate access road to the Sunderland College site. Also required is the relocation of College sports facilities to their Sunderland campus.

**1.2 Invest to Save New Start Proposals**

The following projects are investments that will generate cost savings, enable additional income generation or protect existing income generation:

**1.2.1 Assistive Technology in Adult Social Care £1.050m project cost (£0.300m in 2018/2019, £0.250m in 2019/2020, £0.250m in 2020/2021 and £0.250m in 2021/2022)**

Investment in Assistive Technology (AT) to delay vulnerable people requiring support and enabling them to remain in their own homes for longer. Research has shown use of AT can delay residential care by an average 8 months. Proposals include:



- Provision of demonstration showrooms and training facilities at the Independent Living Centre to showcase the 'art of the possible' for service users, including remote environmental control, activity monitoring systems, and voice activated personal assistants;
- Increased use of technology to transform service delivery and increase staff productivity and generate savings including e.g. provision of mobile technology for staff, and equipment to reduce 2:1 care requirements;
- Provision of show rooms to promote technological solutions to improve resident's independence.

Annual revenue budget savings estimated at £0.265m.

**1.2.2 Derwent Hill (Bunkhouse, Campsite & Wheelchair Access) £0.305m project cost in 2018/2019**

Investment in the development of a bunkhouse, additional campsite accommodation, and improved wheelchair access at Derwent Hill Education Centre. The investment will support the sustainability of Derwent Hill Education Centre through new and increased income streams, and meet client demands, including from schools, businesses and tourists.

**1.2.3 Software Centre (Murton Street) Car Park £0.356m project cost in 2018/2019**

Car parking provision has been a barrier to securing further occupants at the Software Centre. Provision of a 59 space car park will aid the centre offer, assist in increasing centre occupancy and generate additional income.

**1.2.4 Roker Car Park Extension (Marine Walk) £0.150m project cost (£0.050m in 2018/2019 and £0.100m in 2019/2020)**

Investment in an extension to the existing car park will create an additional 25 spaces and disabled coach parking, generating additional income of circa £0.025m p.a. Planned works will include improved signage, new bins and cycle parking.

**1.2.5 Port Mobile Crane £2.876m project cost in 2018/2019**

Purchase of an additional harbour mobile heavy lift crane to provide resilience to the Port's cargo handling operation with 2 of 3 existing cranes nearing end of their useful life. The Port's £6m turnover is dependent on its cargo handling business which has seen an 80% increase since 2010.

**1.2.6 LED Lighting in Operational Buildings - Energy Efficiency £0.500m project cost in 2018/2019**

The project will install energy efficient LED lighting at operational properties including Bunnyhill, Hetton Centre, the Crematorium and Derwent Hill. The project will be funded by 0% Salix loan which will be repaid using the first 5 years energy savings, with savings estimated at £0.100m p.a. thereafter benefitting the revenue budget.

**1.2.7 Sunderland Museum and Winter Gardens Minor Works and Improvements £0.335m project cost in 2018/2019**

There is a requirement to update the museum offer both from a visitor and service perspective, as well as a need to ensure best use of available resources. Works include maintenance and condition works, energy efficiency works and minor internal changes to maximise retail income generating opportunities. The investment will result in revenue budget savings estimated at £0.060m p.a.

### **1.3 Support for Front Line Service Delivery New Start Proposals**

The following projects are investments to enable the efficient and effective operation of front line services:

#### **1.3.1 Replacement Household Waste and Recycling Centre £5.000m project cost (£1.500m in 2018/2019 and £3.500m in 2019/2020)**

There is dissatisfaction with the current household waste facility due to congestion. The current site is considered a blight as it is directly adjacent to the planned SSTC3 road. Planned locations for the new facility: city centre area for the main facility, with a further micro-site at Coalfields.

#### **1.3.2 Refuse Collection Vehicle Fleet Replacement Programme £3.780m project cost in 2020/2021**

Investment in the planned replacement of the fleet of 20 refuse collection vehicles at the forecast end of life. If not replaced, the increased repair requirements would impact on the reliability of the service and bring increased maintenance and running costs. Consideration will be given at time of purchase to electric / hybrid options.

#### **1.3.3 Specialist Large Vehicle Fleet Replacement Programme £1.920m project cost (£0.873m in 2018/2019, £0.138m in 2019/2020, £0.489m in 2020/2021 and £0.420m in 2021/2022)**

Investment in a four year programme of large specialist vehicle and plant fleet purchases in order to ensure most efficient use of resources. Consideration will be given at time of purchase to electric / hybrid options.

#### **1.3.4 Redevelopment of Parsons £6.854m gross project cost, £5.627m net (£4.000m in 2018/2019 and £2.854m in 2019/2020)**

Provision of one operational depot at Parsons, Washington to replace South Hylton House and Houghton (Jack Crawford House would be retained). The project would include provision for the alternative location for the salt barn currently located on the SSTC3 route. The project will generate estimated savings of £0.460m p.a via reduced maintenance and utility costs and enabling additional income generation.

### **1.4 Other Potential Invest to Save / Grant Funded Schemes**

It is proposed that the Capital Programme includes headroom over the medium term to support capital spending for 'invest to save' schemes and also match funding for bids made for external funding. These are primarily in partnership with the private sector to support investment in the City and enable future strategic developments to take place and support the themes of the City's 3,6,9 Vision. These schemes are still subject to negotiation/bids and will only progress subject to development of a detailed business case or external funding confirmation, at which point they will be reported to Cabinet and added into the Capital Programme. It is important to note that much of this investment is anticipated to be recouped through commercial arrangements over time and some investments are linked to the generation of savings to support the revenue budget.

## 2.0 Highways Capital Funding 2018/2019

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

The Department for Transport (DfT) reviewed and revised the basis for allocating this funding to councils via a Funding Model for 2015/2016 to 2020/2021. In 2015, the DfT released details of the Incentive Fund scheme to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements. Each local highway authority in England (excluding London) was invited to complete a self-assessment questionnaire, in order to establish the share of the Incentive Fund they will be eligible from 2016/17, and included in the Highways Maintenance allocation, with reviews each year.

The North East Combined Authority (NECA) has received confirmation from the DfT on Integrated Transport allocations awarded to Tyne & Wear, Durham and Northumberland. These are for 2015/2016 to 2018/2019 with indicative allocations for the following 2 years; all years being the same allocations, but following a national top-slice of 43.7% from the 2014/2015 allocation transferred into the Local Growth Fund.

The 2015/2016 to 2018/2019 funding arrangements for each local authority in NECA had been agreed by the NECA Transport Group. For Sunderland the allocation is £1.606m, being an allocation from the Tyne & Wear funding as in previous years. There is also a top-slice from this and the above Highways Maintenance to fund a NECA transport team and a contribution to Urban Traffic Management Control (UTMC) centre, as well as provide for continuation of collaborative projects within the Tyne & Wear region.

The DfT continue to provide additional monies via the Pothole Action Fund and recently announced that a further £51m would be available nationally to repair potholes or prevent their formation. Sunderland's initial allocation for 2017/2018 was confirmed as £0.260m and the indicative additional allocation based on the £51m, is £0.199m, which can be utilised by end of 2018/2019. DfT also confirmed further funding of £75m nationally for 2018/2019, through the Pothole Action Fund, of which Sunderland's indicative allocation would be £0.280m.

- 2.2 The table below details the Highways Capital Funding announced for 2017/2018 to 2018/2019, and indicative allocations for 2019/2020 to 2020/2021.

	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>
Highways Capital Maintenance	2,939	2,660	2,660	2,660
Highways Capital Maintenance – Incentive Funding *	248	554	554	554
Pot Hole Funding	260	479	Tbc	Tbc
Highways Integrated Transport	1,606	1,606	1,606	1,606
Nexus Allocation	42	42	Tbc	Tbc
National Productivity Investment Fund (NPIF) - Transport	932	3,360	Tbc	Tbc
Safer Roads Funding	210	Tbc	Tbc	Tbc
<b>Total Transport</b>	<b>6,237</b>	<b>8,701</b>	<b>4,820</b>	<b>4,820</b>

\* The Council is currently meeting Level 3 requirements following completion of the self-assessment questionnaire submitted to DfT 2<sup>nd</sup> February 2018.

The total confirmed funding for transport schemes for 2018/2019 from new grants is therefore £8.701m.

## Proposals for Highways Capital Programme New Starts 2018/2019

2.2.1 The proposed capital programme for 2018/2019, excluding funding for the on-going commitment in relation to the Sunderland Strategic Transport Corridor 3 (SSTC3) Road of £1.6m and the £3.36m NPIF funding for Northern Gateway, will leave **£3.741m** (£8.701m less £1.6m, less £3.36m) to support the following priorities:

- Pot holes maintenance - £0.479m.
- The structural maintenance of highways and bridges – £2.254m.
- 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 - £0.966m (including £0.156m for the NECA Transport team & UTM centre).
- Public transport infrastructure improvements, Nexus funded - £0.042m.

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

## 3.0 Health, Housing and Adult Services Capital Proposals 2018/2019

3.1 The Better Care Fund allocation for 2017/2018 is £3.085m, with all this funding supporting Disabled Facilities Grants. In December 2017, further funding of £0.258m for Disabled Facilities Grants was announced.

The Better Care Fund allocations for 2018/2019 have yet to be confirmed. Upon funding confirmation, proposals will be reported back to Cabinet for approval.

## 4.0 Children's Services Capital Proposals 2018/2019

4.1 The table below details the Children's Services Government Grants announced for 2017/2018 onwards.

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Schools Condition Allocation	1,455	0	0	0
Education Basic Need	0	0	386	0
Schools Devolved Funding	388	0	0	0
Early Years (30hr childcare)	580	0	0	0
SEND	0	166	167	167
<b>Total Children's Services</b>	<b>2,423</b>	<b>166</b>	<b>553</b>	<b>167</b>

### 4.1.1 Schools Condition Allocation

The Schools Condition Allocations is provided to the Council for maintenance/improvement of Maintained schools. Academies and Voluntary Aided schools receive this funding direct from the Department of Education. As of January 2018 the Council has not yet received the value of its School's Condition Allocation for 2018/2019.

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

**4.1.2 Basic Need**

The Council remains the responsible body for the city's Basic Need funding. This funding is for all publicly funded schools in the city (including Academies, Free Schools and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places can be provided where needed. In recent years the Council has not received a Basic Need allocation. However, the Council will receive a £0.386m Basic Need allocation for 2019/2020.

**4.1.3 Funding Availability from 2018/2019**

Current allocations:

There is £0.627m Education Capital grants (Schools Condition Allocation and Basic Need), excluding the schools Devolved Formula Capital (DFC) grant from which schools will determine their own priorities from their allocations, that will be available from 2018/2019 for School Asset Management Priorities, projected to be brought-forward from 2017/2018. In addition there is other confirmed funding of £0.050m from S106, bringing total funding brought forward from 2017/2018 to £0.677m. The £0.677m, is not yet committed to projects and therefore available for new and emerging schools asset management priorities.

New allocations:

There is £0.166m Special Educational Needs & Disabilities (SEND) capital grant that will be available for 2018/2019. This Grant is to be used to increase capacity in the SEND sector. Further grants of £0.167m have been allocated to Sunderland for both 2019/2020 and 2020/2021, and use of these future years allocations will be considered at the appropriate time.

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

- 4.2.1 The Council is committed to carrying out an on-going set of improvements across the maintained educational estate in the City. The focus of investment is health and safety, keeping buildings wind and watertight and thereby avoiding school closures. Upon confirmation of allocation for 2018/2019, priorities will be identified and reported to Cabinet as required.

**4.3. Additional Potential Proposed Works**

- 4.3.1 Work is underway to assess potential further increase of places for pupils on the Autistic Spectrum (ASD). At present, all the ASD provision in the City is at capacity. The Council has submitted an expression of interest to the DfE for capital funding to redevelop the former Bishop Harland CE Primary School site as a new 96 place 'all through' ASD setting.

The Council has now been provided with confirmation that its bid was successful. A new school is to be developed and delivered with a proposed 2020 opening date. The DfE have confirmed a funding rate of £1,623 per square metre for construction costs with the total scheme currently estimated to be between £5m and £7m, but DfE have yet to confirm the final total grant funding allocation. Upon confirmation, Cabinet will be requested to approve the project into the Capital Programme from the final funding package.

- 4.3.2 The balance of funding available for further investment is therefore £0.843m from the confirmed allocations up to 2018/2019 (£0.677m plus £0.166m for 2018/2019).
- 4.3.3 Upon confirmation of further funding allocations and completion of any proposals, capital investment requirements will be submitted to Cabinet for approval, where required.

**Capital Programme**  
**Summary of Programme 2017/2018 to 2021/2022**

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.17 £'000	Estimated Payments				
			2017/2018 £'000	2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000
Leader	196,943	36,336	46,876	63,915	26,385	23,431	0
Deputy Leader	6,885	2,269	1,649	2,967	0	0	0
Cabinet Secretary	48,412	14,852	9,072	20,688	1,400	1,700	700
Children's Services	18,197	6,952	8,051	1,194	2,000	0	0
Health, Housing & Adult Services	18,779	9,361	5,062	3,606	250	250	250
Public Health, Wellness & Culture	15,523	735	3,464	7,674	2,650	1,000	0
City Services	295,799	106,523	67,426	47,484	42,784	28,136	3,446
Responsive Services & Customer Care	949	892	57	0	0	0	0
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>601,487</b>	<b>177,920</b>	<b>141,657</b>	<b>147,528</b>	<b>75,469</b>	<b>54,517</b>	<b>4,396</b>

## CAPITAL PROGRAMME

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	80,752	81,142	22,552	17,708	1,788
Salix	6,175	4,880	2,700	200	0
<b>Government Grants</b>					
DoH - Grants General	68	0	0	0	0
DfE - School's Condition Grant	2,968	588	0	0	0
DfE - Early Years 30 Hour Free Child Care	580	0	0	0	0
DfE Basic Need Grant	589	39	0	0	0
DfE - SF Schools DFC Grant	1,016	0	0	0	0
DfT - Local Transport Plan (LTP)	4,695	5,482	0	0	0
DfT - National Productivity Investment Fund	932	3,360	0	0	0
Local Pinch Point (LPP)	30	0	0	0	0
DfT - Pothole Grant	260	479	0	0	0
Environment Agency Coast Protection	499	216	2,427	557	0
English Partnership /SHIP	1	195	0	0	0
BIG Coastal Communities Fund	12	0	0	600	0
Government Grants General	444	166	0	0	0
Local Growth Fund (LGF)	8,664	28,118	35,840	17,517	1,238
Department of Energy Climate and Change (DECC)	80	0	0	0	0
Better Care Fund Grant	3,343	0	0	0	0
DCLG-S31 City Deal	1,670	0	0	0	0
DfT - Safer Roads Funding	210	0	0	0	0
Highways England	0	1,439	0	0	0
<b>Grants from Other Public Bodies</b>					
Lottery - Heritage Lottery Fund (HLF)	751	1,811	4,700	1,000	0
European Regional Development Fund (ERDF)	13	1,469	0	0	0
Homes and Communities Association (HCA)	262	105	0	0	0
Nexus LTP	41	42	0	0	0
Sport England	150	0	0	0	0
Football Association	0	6,000	1,200	0	0
Historic England	99	0	0	0	0
<b>Other External Funding</b>					
School Governors Contribution	178	0	0	0	0
Homes and Communities (HCA)	153	0	0	0	0
South Tyneside Council	8,503	5,469	1,662	11,716	0
Nexus	492	408	2,600	0	0
Gentoo	100	0	0	0	0
Other Capital Contributions	64	46	0	0	0
<b>Total External Sources</b>	<b>123,794</b>	<b>141,454</b>	<b>73,681</b>	<b>49,298</b>	<b>3,026</b>
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
Strategic Initiative Budget	60	0	0	0	0
Directorate	406	0	0	0	0
<b>Reserves</b>					
Strategic Investment Reserve	3,380	2,399	50	0	170
Capital Priorities Reserve	3,828	100	0	4,164	780
Strategic Investment Plan Reserve	2,771	578	87	0	0
Stadium Park Transfer Reserve	859	0	0	0	0
S106 Reserve	732	118	0	0	0
Port Reserve	551	0	0	0	0
New Homes Bonus Reserve	375	217	0	0	0
Modernisation Reserve	521	194	4	0	0
HCA Riverside Reserve	464	0	0	0	0
Unutilised RCCO Reserve	377	0	124	0	0
Commercial & Development Reserve	0	0	886	566	0
Other Capital Reserves	113	0	0	0	0
<b>Capital Receipts</b>	<b>3,426</b>	<b>2,468</b>	<b>637</b>	<b>489</b>	<b>420</b>
<b>Total Internal Sources</b>	<b>17,863</b>	<b>6,074</b>	<b>1,788</b>	<b>5,219</b>	<b>1,370</b>
<b>TOTAL FINANCING</b>	<b>141,657</b>	<b>147,528</b>	<b>75,469</b>	<b>54,517</b>	<b>4,396</b>

**LEADER  
CAPITAL PROGRAMME**

Appendix 4 continued

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects</b>									
	<b>Strategic Economic Development</b>									
CP0126	Former Vaux Site Advance Site Works	Infrastructure works in advance of the development of the former Vaux site.	N Wood	1,466	1,158	308	0	0	0	0
CP0127	Strategic Land and Property Acquisition Provision	Acquisitions of land and buildings which are considered to be a strategic importance and would contribute towards the Council's regeneration priorities for the City.	N Wood	11,165	6,134	3,031	2,000	0	0	0
CP0136	A19 Ultra Low Carbon Enterprise Zone	Highway infrastructure works at the Enterprise Zone Site 3 to unlocks 90,000sq.m of developable floor space, generate potential 1,500 new jobs in the manufacturing industry along with private sector investment of £55m: Phase 1a works (Infiniti Drive) completed Dec 2015. Phase 1b works (A1290 realignment) substantially completed and opened to traffic Sept 2017. Phase 2 works (Infiniti Drive extension and Nissan Way widening) currently underway - expected completion July 2018.	M Jackson	24,378	15,335	5,096	3,947	0	0	0
CP0137	Sunderland Railway Station Contribution	Redevelopment of the railway station in conjunction with Nexus and Network Rail who will complete the detailed design and redevelopment of the above ground concourse to Sunderland Station.	M Jackson	3,000	0	492	408	2,100	0	0
CP0139	Investment Corridors	Infrastructure improvements in and around High Street West, including new street lighting and street furniture, new high quality paving materials and crossing upgrades to St Michael's Way. The Holmeside Masterplan will be completed and detailed designs commenced for public realm improvements in this area.	I Fairlamb	9,460	4,015	1,052	1,078	3,315	0	0
CP0208	Beacon of Light Contribution	Council contribution towards the SAFC Foundation of Light led project for the construction of an indoor events facility at Stadium Park. The project is due for completion in Spring 2018.	I Fairlamb	3,000	2,000	1,000	0	0	0	0
CP0266	Vaux Phase 1	Development of the first office building on the former Vaux site which will be 60,000 sq. ft. over 5 floors. In addition, infrastructure works of roads, footpaths and promontory will be undertaken.	N Wood	25,812	3,065	16,447	6,300	0	0	0
CP0288	Minster Quarter Access Road	Provision of a new access road that will provide a direct link from the Minster Quarter area onto St Mary's Way.	I Fairlamb	1,500	4	0	1,496	0	0	0
CP0336	Commercial Road Development	Enabling works (access highway works and drainage) to facilitate four development plots and property for Port.	N Wood	300	0	300	0	0	0	0
	<b>Business Investment</b>									
CP0203	Energy Masterplan & Feasibility Assessment (DECC)	A feasibility study to provide a city-wide understanding of current and future heat demands across industrial, commercial and domestic uses in Sunderland, offering an important evidence base for the council and partners to develop appropriate solutions for improved energy management consumption, and the identify the necessary energy infrastructure requirements for key strategic sites. This is due for completion in 2018.	V Taylor	120	0	120	0	0	0	0



**LEADER  
CAPITAL PROGRAMME**

Appendix 4 continued

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Strategic Improvement Programmes</b>										
CP0221	Railway Station Public Realm	As part of the wider Railway Station redevelopment public realm improvements will be undertaken to the area immediately in front of the station to provide an improved arrival and departure experience as well as ensuring the station is better integrated into the wider area.	I Fairlamb	750	0	0	0	750	0	0
CP0238	Keel Line - Viewing Platform Feasibility Study	Fees for feasibility study carried out by external consultant for The Launch at the former Vaux site	N Wood	100	75	25	0	0	0	0
CP0264	Public Realm - former Crowtree Road Leisure Centre	As part of the redevelopment of the former Crowtree Road Leisure Centre site for retail use, works will be undertaken to create a public space to the north of the site and landscaping works above the car park that will provide an improved link to Town Park.	N Wood	1,750	48	0	1,702	0	0	0
CP0334	Industrial Portfolio Improvement Works	An extension to Unit 11 Mercantile Road, Rainton Bridge Industrial Estate occupied by Lear Corporation (UK) Ltd and to formalise the position by the grant of a new lease.	N Wood	1,500	0	1,500	0	0	0	0
<b>Strategic Economic Development</b>										
CP0142	International Advanced Manufacturing Park (IAMP)	Development of an International Advanced Manufacturing Park (IAMP) set to create over 5,000 jobs and attract over £400 million investment, building on links with Nissan to create an advanced manufacturing centre of excellence for the North East. IAMP is a joint venture between Sunderland and South Tyneside councils and is being jointly promoted by IAMP LLP, a JV company which includes both Local Authorities. IAMP LLP is bringing forward plans for "IAMP ONE" – the first phase of the project. Since IAMP LLP's initial consultation, demand from occupiers has been stronger than originally anticipated. The company is therefore bringing forward an application for "IAMP ONE" ahead of a Development Consent Order application for later phases of the IAMP development.	P McIntyre	101,912	4,502	17,505	37,254	19,220	23,431	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>186,213</b>	<b>36,336</b>	<b>46,876</b>	<b>54,185</b>	<b>25,385</b>	<b>23,431</b>	<b>0</b>
<b>Projects Commencing 2018/19</b>										
<b>Strategic Economic Development</b>										
CP0363	City Centre Regeneration	Provision to support a City Centre Masterplanning investment strategy, allowing timely acquisitions of critical sites, in target regeneration areas. Resources are proposed to support strategic land and building acquisitions focusing on city centre regeneration. Any acquisitions will be supported by an approved Masterplan for the overall development area.	N Wood	10,730	0	0	9,730	1,000	0	0
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>10,730</b>	<b>0</b>	<b>0</b>	<b>9,730</b>	<b>1,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL LEADER PORTFOLIO</b>				<b>196,943</b>	<b>36,336</b>	<b>46,876</b>	<b>63,915</b>	<b>26,385</b>	<b>23,431</b>	<b>0</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	25,672	31,720	6,228	11,715	
<b>Government Grants</b>					
Local Growth Fund (LGF)	8,664	26,318	15,895		
Department of Energy Climate and Change (DECC)	80				
DCLG-S31 City Deal	1,670				
DFT - Safer Roads Funding	210				
<b>Other External Funding</b>					
Homes and Communities (HCA)	153				
South Tyneside Council	8,503	5,469	1,662	11,716	
Nexus	492	408	2,600		
<b>Total External Sources</b>	<b>45,444</b>	<b>63,915</b>	<b>26,385</b>	<b>23,431</b>	
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
<b>Reserves</b>					
Strategic Investment Reserve	1,308				
Capital Priorities Reserve	40				
New Homes Bonus Reserve	59				
Unutilised RCCO Reserve	25				
<b>Total Internal Sources</b>	<b>1,432</b>				
<b>TOTAL FINANCING</b>	<b>46,876</b>	<b>63,915</b>	<b>26,385</b>	<b>23,431</b>	

**DEPUTY LEADER  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects ICT Projects</b>									
CP0117	Revenue and Benefits System Phase 2	Investment in customer self-service options in relation to Revenues and Benefits Services.	L St Louis	364	327	37	0	0	0	0
CP0123	Electronic Document Management	The introduction of work flow, version control, storage and classification of documents and records.	L St Louis	500	285	21	194	0	0	0
CP0181	IT Developments	A programme of activities to improve and better secure underlying ICT infrastructure to enable efficiencies within the Council.	L St Louis	693	626	67	0	0	0	0
CP0192	Wider Network Upgrade	Completion of a rolling programme to upgrade the power back up systems (uninterrupted power supply) of essential network equipment.	L St Louis	132	130	2	0	0	0	0
CP0286	Refresh of Essential Core ICT Infrastructure	A programme of activities aligned to a full review and rationalisation of the ICT estate to refresh end of life equipment and begin to transition to new on demand offerings.	L St Louis	3,953	897	1,363	1,693	0	0	0
CP0307	Cash Receipting System	Essential upgrade to the Cash Receipting System.	K Davison	43	4	39	0	0	0	0
CP0340	Moorside Data Centre	Improvements to the electrical delivery systems, power generation capabilities and a refresh of the cooling infrastructure.	L St Louis	1,200	0	120	1,080	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>6,885</b>	<b>2,269</b>	<b>1,649</b>	<b>2,967</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL DEPUTY LEADER PORTFOLIO</b>				<b>6,885</b>	<b>2,269</b>	<b>1,649</b>	<b>2,967</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
Loans					
Salix	120	1,080			
<b>Total External Sources</b>	<b>120</b>	<b>1,080</b>			
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
Reserves					
Strategic Investment Reserve	47	1,415			
Strategic Investment Plan Reserve	862	278			
Modernisation Reserve	521	194			
Unutilised RCCO Reserve	11				
Other Capital Reserves	2				
Capital Receipts	86				
<b>Total Internal Sources</b>	<b>1,529</b>	<b>1,887</b>			
<b>TOTAL FINANCING</b>	<b>1,649</b>	<b>2,967</b>			

**CABINET SECRETARY  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects</b>									
	<b>Port</b>									
CP0145	Port Infrastructure	Investment in infrastructure, plant and equipment, in order to support the on-going efficient operation of the Port, including addressing minor plant & machinery investment, general infrastructure and health and safety requirements as they arise.	M Hunt	1,169	294	375	250	250	0	0
CP0311	Port Remediation Works - Endurance Park	Surface infrastructure works to the cargo laydown area that will ensure the Port can continue to meet the requirements of contracts for the handling and storage of steel products, equipment for the offshore renewable energy sector and also to allow for the loading/unloading of goods to/from rail wagons.	M Hunt	2,400	0	2,400	0	0	0	0
CP0313	Port Enterprise Zone	20 acres of land on two sites in the Port of Sunderland have been approved to form part of the North East's next wave of Enterprise Zones (round 2). Provision of enabling works will provide a development platform to prospective inward investors looking to take advantage of a port location and its multimodal operational facilities in sectors such as advanced manufacturing, automotive, construction and offshore renewable energy.	M Hunt	10,500	0	300	10,200	0	0	0
CP0337	Port - Greenwell Open Storage Area	Surface infrastructure works that will allow for the Port's Liebherr harbour mobile cranes to operate on the full length of the river berth, therefore increasing the Port's operational quay capacity for cargo handling operations and also to provide additional cargo laydown for bulk, project and unitised cargoes.	M Hunt	275	0	275	0	0	0	0
	<b>Planning and Land Use</b>									
CP0096	Old Sunderland Townscape Heritage Initiative	THI Partnership grant scheme with HLF, provided grants to property owners / tenants to repair, restore and return historic buildings to use, including former Orphanage restored to create office and community based facilities. Completed in 2017.	I Fairlamb	2,339	2,294	45	0	0	0	0
	<b>Seafront</b>									
CP0100	Seafront - Marine Walk Masterplan Ph2	Phased infrastructure improvements to Roker and Seaburn seafronts to enhance the visitor environment, including: Public realm upgrades to Seaburn and Roker promenades, Roker pod flexible spaces, new pier gates, feature lighting and new street furniture, new play equipment and directional/interpretation signage (Roker), improvements to Marine Walk southern car park, highway improvements, public realm upgrades and traffic management measures to Whitburn Road (Seaburn), and installation of electricity plug-ins.	I Fairlamb	4,444	4,439	5	0	0	0	0

**CABINET SECRETARY  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0111	Roker Pier and Lighthouse	Lighthouse restoration works and provision of new tunnel entrance. All works now complete and to be opened up as a visitor attraction, to be managed by volunteers from the Roker Heritage Group.	I Fairlamb	2,212	1,807	405	0	0	0	0
CP0222	Seafront - Marine Walk Masterplan Ph3	Installation of carriageway improvements at Marine Walk lower promenade, construction of new toilet block and associated alterations to Marine Walk car park.	I Fairlamb	655	634	21	0	0	0	0
CP0223	Seafront Lighthouses	Works to the lighthouse at Seaburn, completed in 2016. New railings and the restoration of railings on Roker Pier, completed in 2017.	I Fairlamb	1,175	109	1,066	0	0	0	0
CP0245	Seafront - CCF Round 3	Infrastructure improvements to Cliffe Park and Recreation Park to improve capacity for hosting large scale events, including: installation of electricity plug-in points, upgrades to paths, Installation of new access gates (Recreation Park).	I Fairlamb	471	459	12	0	0	0	0
CP0274	Seafront Toilet Refurbishment	As part of the rolling programme of seafront toilet refurbishment, further works will be undertaken to refurbish the tram shelter toilets and Marine Walk north toilet block.	I Fairlamb	300	4	296	0	0	0	0
<b>Economic Development Grants</b>										
CP0103	Provision for Economic Development	Provision for financial assistance for inward investment and job growth in order to lever in significant job creation and private sector investments. Growth areas including Vaux and IAMP may require assistance packages over coming years.	T Hurst	5,002	2,305	2,007	690	0	0	0
<b>Management of Council Land and Buildings</b>										
CP0106	Property Planned Capital Maintenance	Repair, renewal and upgrade works across the council's property portfolio.	N Wood	3,549	2,157	1,192	200	0	0	0
CP0107	Low Water Corrosion / Riverside Repairs	Accelerated Low Water Corrosion is affecting riverside and coastal structures supporting footpaths and other infrastructure. The programme of assessment and repair has given a better understanding of their condition to allow measures to be planned and implemented to extend the life of the structures.	M Jackson	200	25	175	0	0	0	0
CP0272	Energy Efficiency - Northumbrian Water Smart Metering Programme	Development of a multi utility software package to analyse half hourly energy data, now being commercialised by Northumbrian Water. The second phase of the programme to develop a cost effective smart water metering system.	L Clark	130	0	130	0	0	0	0
CP0314	Solar PV Battery Storage	Upon securement of ERDF funding, there will be installation of solar PV and battery storage at Council buildings. This is expected to reduce electricity costs/carbon emissions and to access capacity auctions in conjunction with the National Grid. The buildings that would benefit by this investment are Jack Crawford, Evolve, Software centre, Washington Business Centre and the Port.	N Wood	2,963	0	26	2,937	0	0	0

**CABINET SECRETARY  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0317	Civic Centre Options	Design and other preparatory works to inform of options for either a new or a significantly refurbished Civic Centre.	L Clark	250	0	250	0	0	0	0
	<b>Regeneration Projects</b>									
CP0273	City Centre Way Finding	New way finding infrastructure will be installed to improve pedestrian navigation around the city centre which will be adopted by the Council and its partners. This will improve the appearance and visitor experience.	I Fairlamb	200	5	15	130	50	0	0
CP0275	Investment Corridors - MAC Trust Contribution	Council contribution to works which commenced in 2016 on the development of the former Dun Cow fire station to create a performing arts centre. Grant funding is also being provided to the MAC Trust from the Heritage Lottery Fund, and further funds are being sought from the Arts Council.	I Fairlamb	690	320	0	370	0	0	0
CP0326	Chester Road - Highways	A Joint venture is being negotiated with Gentoo to deliver 500 new homes on the former Pennywell estate. The Council will fund initial infrastructure works necessary to create a new access to the site and receive a profit share plus the return of its investment from the first phase of the scheme.	L Clark	2,000	0	0	2,000	0	0	0
CP0332	Bishopwearmouth Townscape Heritage	Phase 1 funding to develop detail of Bishopwearmouth TH scheme for Phase 2 application to HLF. Subject to successful Phase 2 application, full TH scheme will commence late summer 2018 and run 5 years providing grants to owners / tenants to repair and restore historic properties, and funding an enhancement scheme for Town Park and activities and events.	I Fairlamb	77	0	77	0	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>41,001</b>	<b>14,852</b>	<b>9,072</b>	<b>16,777</b>	<b>300</b>	<b>0</b>	<b>0</b>
	<b>Projects Commencing 2018/19</b>									
	<b>Seafront</b>									
CP0358	Sunderland Seafront Trust - CCF Round 5	A proposal to bring into use vacant assets as commercial premises as part of further development of assets in conjunction with the Seafront Trust. A bid for Coastal Communities R5 funding is to be made towards the total estimated cost.	I Fairlamb	1,100	0	0	0	100	1,000	0
CP0359	Seaburn Public Realm - Whitburn Road	Works to bridge the gap in previous public realm works and planned Siglion works at the Sea Front in front of Amusements at bottom of Dykelands road. The scheme will include new paving, seating, and steps.	I Fairlamb	325	0	0	25	300	0	0

**CABINET SECRETARY  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Economic Development Grants</b>									
CP0103	Provision for Economic Development	Provision for financial assistance for inward investment and job growth in order to lever in significant job creation and private sector investments. Growth areas including Vaux and IAMP may require assistance packages over coming years.	T Hurst	2,100	0	0	0	700	700	700
	<b>Port</b>									
CP0365	Port Mobile Crane	Purchase of an additional harbour mobile heavy lift crane to provide resilience to the Port's cargo handling operation with 2 of its 5 existing cranes nearing the end of their useful life. The Port's turnover is heavily dependent on its cargo handling business which has seen an 80% increase since 2010 in terms of total cargo throughput to just under 750k tonnes.	M Hunt	2,876	0	0	2,876	0	0	0
	<b>Management of Council Land and Buildings</b>									
CP0364	LED Lighting Energy Efficiency Works	Installation of energy efficient LED lighting at operational properties including Bunnyhill, Hetton Centre, the Crematorium and Derwent Hill. The project will be funded by 0% interest Salix loan which will be repaid using the first 5 years energy savings.	N Wood	500	0	0	500	0	0	0
CP0366	Former Usworth Comprehensive School Site Enabling Works	Site enabling works to facilitate the proposed residential development of land. The enabling works will consist of provision of a new separate access road to the Sunderland College site. Also required is the relocation of College sports facilities to their Sunderland campus.	N Wood	510	0	0	510	0	0	0
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>7,411</b>	<b>0</b>	<b>0</b>	<b>3,911</b>	<b>1,100</b>	<b>1,700</b>	<b>700</b>
<b>TOTAL CABINET SECRETARY PORTFOLIO</b>				<b>48,412</b>	<b>14,852</b>	<b>9,072</b>	<b>20,688</b>	<b>1,400</b>	<b>1,700</b>	<b>700</b>

Source of Finance	Estimated Resources				
	2017/18	2018/19	2019/20	2020/21	2021/22
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	4,674	17,329	650	400	
Salix		500			
<b>Government Grants</b>					
BIG Coastal Communities Fund	12			600	
Government Grants General	430				
<b>Grants from Other Public Bodies</b>					
Lottery - Heritage Lottery Fund (HLF)	327				
European Regional Development Fund (ERDF)	13	1,469			
<b>Other External Funding</b>					
Other Capital Contributions	30				
<b>Total External Sources</b>	<b>5,486</b>	<b>19,298</b>	<b>650</b>	<b>1,000</b>	
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
<b>Reserves</b>					
Strategic Investment Reserve	748	130	50		
Capital Priorities Reserve	12			384	700
Strategic Investment Plan Reserve			87		
Port Reserve	400				
New Homes Bonus Reserve	33				
Unutilised RCCO Reserve	7		114		
Commercial & Development Reserve				316	
<b>Capital Receipts</b>	2,386	1,260	499		
<b>Total Internal Sources</b>	<b>3,586</b>	<b>1,390</b>	<b>750</b>	<b>700</b>	<b>700</b>
<b>TOTAL FINANCING</b>	<b>9,072</b>	<b>20,688</b>	<b>1,400</b>	<b>1,700</b>	<b>700</b>



**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects DFC</b>									
CP0085	Schools Devolved Capital	Schools devolved formula capital allocations to address the priorities identified by schools in their own asset management plans.	S Mitchell	5,444	4,428	1,016	0	0	0	0
	<b>Asset Management Projects</b>									
	<b>Major School's Asset Management</b>									
CP0251	Columbia Grange School - New Extensions Plus External Works	New extension to the School to address shortage in pupil number places.	S Mitchell	555	548	7	0	0	0	0
CP0271	Rickleton Primary Redevelopment	Refurbishment and modernisation of existing teaching areas.	S Mitchell	333	31	302	0	0	0	0
CP0318	Southwick Primary Development	Refurbishment works to the reception and a small extension.	S Mitchell	230	0	230	0	0	0	0
CP0319	Barmston Primary Boiler Renewal	Renewal of heating system at the school.	S Mitchell	116	0	116	0	0	0	0
CP0320	Barnes Junior Heating Replacement	Renewal of heating system at the school.	S Mitchell	186	0	186	0	0	0	0
CP0321	Usworth Colliery Primary Heating	Renewal of heating system at the school.	S Mitchell	235	0	235	0	0	0	0
	<b>Other Schools Asset Management Projects</b>									
CP0204	Asbestos Removal	Asbestos management for schools.	S Mitchell	35	10	25	0	0	0	0
CP0205	Access Equipment	Purchase of equipment to assist children with disabilities to access school places.	S Mitchell	38	13	25	0	0	0	0
CP0211	School AMP - Nursery	Continuation of investment in local maintained and private day-care and nursery facilities in order to meet increased demand for nursery places from disadvantaged two year olds.	S Mitchell	39	18	21	0	0	0	0
CP0212	School AMP - Primary	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	S Mitchell	2,493	939	1,554	0	0	0	0
CP0213	School AMP - Secondary	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	S Mitchell	90	78	12	0	0	0	0
CP0217	Derwent Hill	Rolling programme of minor improvement works.	V French	46	21	25	0	0	0	0

**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0260	School Asset Management Programmes - unallocated 2017/2018 Allocation	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	S Mitchell	775	0	98	677	0	0	0
CP0369	Sunningdale Special School	Refurbishment of former office bases at Sunningdale Special School. The space is to be refurbished as classrooms.	S Mitchell	98	0	98	0	0	0	0
CP0297	School's Condition Works	Continue to provide window replacements, heating improvements, roofing works, electrical and technical and urgent health and safety works.	S Mitchell	598	0	598	0	0	0	0
CP0327	New Condition Works/EAW	Delivery of electricity at work and schools condition surveys.	S Mitchell	60	0	60	0	0	0	0
<b>Other Children Services Projects</b>										
CP0089	Capita One V4 Upgrade	Upgrade of Capita One Upgrade system.	S Mitchell	185	179	6	0	0	0	0
CP0298	Children's and Adults Social Care Case Management System	Investment of a new case management system for Children's/Early help and Adult's that will support front line practitioners in discharging their professional duties to vulnerable children and adults in a more efficient and effective manner. The new Liquid Logic system offers a range of software solutions for Children and Adult's services which can be used individually, or as an integrated whole.	B Scarr	2,524	681	1,843	0	0	0	0
CP0217	Friends of Derwent Hill	Purchase & Installation of two new camping pods, removal of existing shower block & purchase and installation of amenity building.	V French	80	0	34	46	0	0	0
<b>30 Hour Free Child Care</b>										
CP0322	East Herrington Academy Nursery	Extension of existing nursery to meet the 30 hour free childcare offer.	S Mitchell	238	6	232	0	0	0	0
CP0323	Farringdon Primary Academy Nursery	New Kitchen to provide meals for nursery to meet the 30 hour free childcare offer.	S Mitchell	385	0	385	0	0	0	0
CP0324	Seaburn Dene Primary Nursery	Refurbishment of community area to meet the 30 hour free childcare offer.	S Mitchell	93	0	93	0	0	0	0
CP0325	Barnes Infant Academy Nursery	Provision of new demountable nursery class to meet the 30 hour free childcare offer.	S Mitchell	250	0	250	0	0	0	0
<b>Social Care</b>										
CP0292	Children Social Care Homes	Purchase of two social care homes being Monument View and Grasswell House.	D Patterson	600	0	600	0	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>15,726</b>	<b>6,952</b>	<b>8,051</b>	<b>723</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Projects Commencing 2018/19 Major School's Asset Management</b>									
CP0350	SSGA - School extensions to St Pauls & Benedict Biscop	Sunderland South Growth Area plans will generate demand for school places growth with 2 school extensions (105 places each) required to meet demand in advance of a new school requirement in the longer term. The upfront investment will be recouped through S106 over the longer term. Extensions are planned to St Pauls CE VC Primary and Benedict Biscop Primary Academy.	S Mitchell	2,000	0	0	0	2,000	0	0
	<b>Other Children Services Projects</b>									
CP0348	Derwent Hill Bunkhouse, Campsite and Educational Centre	Development of a bunkhouse, additional campsite accommodation, and improved wheelchair access at Derwent Hill Education Centre. The investment will support the sustainability of Derwent Hill Education Centre through new and increased income streams, and meet client demands, including from schools, businesses and tourists.	V French	305	0	0	305	0	0	0
	<b>Special Educational Needs - School Placements</b>									
CP0370	Increasing SEND capacity	Refurbishments to create new Special Educational Needs & Disability (SEND) schools places.	S Mitchell	166	0	0	166	0	0	0
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>2,471</b>	<b>0</b>	<b>0</b>	<b>471</b>	<b>2,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL CHILDREN'S PORTFOLIO</b>				<b>18,197</b>	<b>6,952</b>	<b>8,051</b>	<b>1,194</b>	<b>2,000</b>	<b>0</b>	<b>0</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	600	305	2,000		
Salix	34				
<b>Government Grants</b>					
DfE - School's Condition Grant	2,968	588			
DFE - Early Years 30 Hour Free Child Care	580				
DfE Basic Need Grant	589	39			
DfE - SF Schools DFC Grant	1,016				
Government Grants General		166			
<b>Other External Funding</b>					
School Governors Contribution	178				
Other Capital Contributions	34	46			
<b>Total External Sources</b>	<b>5,999</b>	<b>1,144</b>	<b>2,000</b>		
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
Directorate	327				
<b>Reserves</b>					
Strategic Investment Reserve	791				
S106 Reserve	178	50			
Unutilised RCCO Reserve	6				
<b>Capital Receipts</b>	750				
<b>Total Internal Sources</b>	<b>2,052</b>	<b>50</b>			
<b>TOTAL FINANCING</b>	<b>8,051</b>	<b>1,194</b>	<b>2,000</b>		

**HEALTH HOUSING & ADULT SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects Adult Services</b>									
CP0241	Autism Innovation Grant	Funding provided by the Department of Health to enable public buildings used by people with Autism more autism friendly.	J Usher	18	14	4	0	0	0	0
CP0080	Disabled Facilities Grants	Provision of grants to support much needed adaptations to be carried out to properties allowing people to remain in their homes.	G King	3,448	0	3,448	0	0	0	0
CP0296	Bishopwearmouth Horticultural Nursery	Planned infrastructure upgrades that will support the sustainability of this service going forward.	G King	123	102	21	0	0	0	0
CP0316	Introduction of Electronic Homecare Monitoring System (EHM)	The introduction of an EHM system will provide real time data, with carers using EHM logging in and out via mobiles at the time of the care call which will enable more accurate billing.	G King	121	0	0	121	0	0	0
	<b>Housing Services</b>									
CP0065	Private Sector Renewal Grants	Grants to the private sector for housing renewals.	I Fairlamb	300	299	1	0	0	0	0
CP0072	Hetton Downs Regeneration	Acquisition and demolition of properties for housing renewal in the Hetton Downs area.	I Fairlamb	9,111	8,549	262	300	0	0	0
CP0083	Cluster of Empty Homes	Financial assistance for the refurbishment of empty homes in targeted areas of the City, including Hendon, Millfield and the North.	I Fairlamb	401	393	8	0	0	0	0
CP0302	Hetton Downs Development Phase 2	To provide affordable housing units in the Hetton Downs Renewal area.	I Fairlamb	289	4	0	285	0	0	0
CP0343	Empty Properties Hetton Downs - Loan Funding	Loan funding to Sunderland Housing Limited to acquire or lease empty homes in the Hetton Downs regeneration area with a focus on Fairy, Edward and Caroline Streets.	I Fairlamb	300	0	300	0	0	0	0
CP0344	Bringing Empty Properties Back Into Use - Loan Funding	Loan to Back on the Map to acquire and refurbish empty homes.	I Fairlamb	390	0	390	0	0	0	0
CP0345	Empty Properties - Bring Back Into Use	Financial assistance in the form of loans and/or grants to refurbish empty homes.	I Fairlamb	228	0	228	0	0	0	0
CP0335	Pilot Housing Delivery Plan	A pilot scheme in order to demonstrate the Council's ability to address some of the gaps in its housing provision by directly procuring residential developments of new homes as recommended by the Housing Delivery Plan.	I Fairlamb	3,000	0	400	2,600	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>17,729</b>	<b>9,361</b>	<b>5,062</b>	<b>3,306</b>	<b>0</b>	<b>0</b>	<b>0</b>

**HEALTH HOUSING & ADULT SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Projects Commencing 2018/19 Adult Services</b>									
CP0351	Assistive Technology in Adult Social Care	To delay vulnerable people requiring support and enabling them to remain in their own homes for longer. Research has shown use of AT can delay residential care by an average 8 months. Investment includes: <ul style="list-style-type: none"> <li>• Provision of demonstration showrooms and training facilities at the Independent Living Centre</li> <li>• Increased use of technology to transform service delivery and increase staff productivity</li> <li>• Provision of show rooms to promote technological solutions to improve resident's independence.</li> </ul>	S Mitchell	1,050	0	0	300	250	250	250
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>1,050</b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>250</b>	<b>250</b>	<b>250</b>
<b>TOTAL HEALTH, HOUSING &amp; ADULT SERVICES PORTFOLIO</b>				<b>18,779</b>	<b>9,361</b>	<b>5,062</b>	<b>3,606</b>	<b>250</b>	<b>250</b>	<b>250</b>

**HEALTH HOUSING & ADULT SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	675	2,600			
<b>Government Grants</b>					
DoH - Grants General	68				
English Partnership /SHIP	1	195			
Government Grants General	4				
Better Care Fund Grant	3,343				
<b>Grants from Other Public Bodies</b>					
Homes and Communities Association (HCA)	262	105			
<b>Other External Funding</b>					
Gentoo	100				
<b>Total External Sources</b>	<b>4,453</b>	<b>2,900</b>			
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
Directorate	5				
<b>Reserves</b>					
Strategic Investment Reserve	21	121			170
Capital Priorities Reserve					80
Strategic Investment Plan Reserve		300			
S106 Reserve	300	68			
New Homes Bonus Reserve	283	217			
Commercial & Development Reserve			250	250	
<b>Total Internal Sources</b>	<b>609</b>	<b>706</b>	<b>250</b>	<b>250</b>	<b>250</b>
<b>TOTAL FINANCING</b>	<b>5,062</b>	<b>3,606</b>	<b>250</b>	<b>250</b>	<b>250</b>

**PUBLIC HEALTH, WELLNESS & CULTURE  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects Culture and Tourism</b>									
CP0329	Riverside Investigation Works	Large scale engineering investigation works are to be carried out along the riverside to inform maintenance requirements.	M Jackson	495	31	464	0	0	0	0
CP0176	Hylton Castle Phase 2	Providing three new floors and a roof so that the castle can be repurposed as a community - led heritage centre. Centre expected to be open in Spring 2019.	V French	2,934	175	424	2,335	0	0	0
CP0219	Canny Space Project	Council contribution to the Churches Conservation Trust for improvement/alterations at Holy Trinity Church which will transform into a new community/commercial venue and heritage attraction.	V French	300	0	0	300	0	0	0
CP0290	Keel Square and Seafront Lighting	A series of new colour schemes to develop feature lights at the Seafront and in Keel Square with remote access infrastructure installed to allow the colour scheme to be changed remotely.	I Fairlamb	30	19	11	0	0	0	0
CP0306	Fulwell Mill Restoration	Restoration works to bring back into use as a visitor attraction. Works include: newly designed and fitted cap, wind shaft, sails, brake wheel and mechanism, external repairs, replacement windows, and decoration of the tower, internal mechanical and electrical works. Project estimated to be completed by early spring 2018.	I Fairlamb	379	16	363	0	0	0	0
CP0312	Tall Ships Race 2018 - Dredging	Improvement to dredging of quays to ensure a safe and successful delivery of the Event.	F Brown	1,900	95	1,805	0	0	0	0
CP0367	Tall Ships Race 2018 - Infrastructure	Improvement to infrastructure to ensure a safe and successful delivery of the Event.	F Brown	1,000	5	95	900	0	0	0
CP0315	Northern Gallery for Contemporary Art	Contribution towards the Improvements to the Gallery following its move from Fawcett Street into the National Glass Centre. Anticipated completion Spring 2018.	V French	100	0	100	0	0	0	0
	<b>Sports Facilities</b>									
CP0178	Leisure Facility	Remedial works to the Sunderland Aquatic Centre roof.	N Wood	4,323	328	191	3,804	0	0	0
CP0304	Sunderland Aquatic Centre Diving Board	Modification work to the diving board at the Sunderland Aquatic Centre.	N Wood	77	66	11	0	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>11,538</b>	<b>735</b>	<b>3,464</b>	<b>7,339</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Projects Commencing 2018/19 Events &amp; Culture</b>									
CP0346	Sunderland Museum and Winter Garden Improvements	Update of the museum offer both from a visitor and service perspective, as well as a need to ensure best use of available resources. Works include maintenance and condition works, energy efficiency works and minor internal changes to maximise retail income generating opportunities.	S Mitchell	335	0	0	335	0	0	0



**PUBLIC HEALTH, WELLNESS & CULTURE  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0347	Increasing Access to Heritage	Investment to provide technological and other solutions to improve ready access to the heritage offer. Includes a Local Studies and Heritage Centre within Sunderland Museum and Winter Gardens with digital facilities including archive storage, shelving, touchdown spaces and exhibition displays. Project dependent upon securement of external funding.	S Mitchell	3,500	0	0	0	2,500	1,000	0
CP0349	Sunderland Illuminations 18-19	Purchase of lighting features for the 2019 event, to support the Illuminations offer, attracting over 200,000 visitors annually.	V French	150	0	0	0	150	0	0
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>3,985</b>	<b>0</b>	<b>0</b>	<b>335</b>	<b>2,650</b>	<b>1,000</b>	<b>0</b>
<b>TOTAL PUBLIC HEALTH, WELLNESS &amp; CULTURE</b>				<b>15,523</b>	<b>735</b>	<b>3,464</b>	<b>7,674</b>	<b>2,650</b>	<b>1,000</b>	<b>0</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	2,109	4,795			
<b>Grants from Other Public Bodies</b>					
Lottery - Heritage Lottery Fund (HLF)	424	1,811	2,000	1,000	
Historic England	99				
<b>Total External Sources</b>	<b>2,632</b>	<b>6,606</b>	<b>2,000</b>	<b>1,000</b>	<b>0</b>
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
Strategic Initiative Budget	60				
<b>Reserves</b>					
Strategic Investment Reserve	82	733			
Capital Priorities Reserve	11				
Modernisation Reserve			4		
HCA Riverside Reserve	464				
Unutilised RCCO Reserve			10		
Commercial & Development Reserve			636		
Other Capital Reserves	11				
<b>Capital Receipts</b>	204	335			
<b>Total Internal Sources</b>	<b>832</b>	<b>1,068</b>	<b>650</b>		
<b>TOTAL FINANCING</b>	<b>3,464</b>	<b>7,674</b>	<b>2,650</b>	<b>1,000</b>	<b>0</b>

**CITY SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects</b>									
	<b>Major Highway Schemes</b>									
CP0003	Northern Spire (SSTC Ph2 - New Wear Crossing)	Construction of the New Wear Crossing, now known as 'Northern Spire', which is planned to be completed in Spring 2018.	L Clark	117,600	78,210	39,390	0	0	0	0
CP0194	SSTC Ph3	Construction of a new road linking the Northern Spire new wear crossing and the city centre. The road is planned to be open to traffic in 2021.	L Clark	59,000	3,570	5,356	11,111	19,945	17,517	1,501
CP0281	Port Enterprise Zone and SSTC5 Design	Design and bidding proposal costs for Port Enterprise Zone and SSTC Phase 5.	M Jackson	250	109	141	0	0	0	0
	<b>Local Transport Plan</b>									
CP0024	Highway Maintenance	Implement the Highway Maintenance Programme of road resurfacing and footway reconstruction schemes.	M Jackson	13,113	8,323	3,590	600	600	0	0
CP0025	Bridge Maintenance	Annual programme of Structural Bridge maintenance.	M Jackson	2,166	1,079	518	569	0	0	0
CP0026	Integrated Transport	Annual programme for the implementation of Road Safety and Traffic Congestion improvement schemes.	M Jackson	8,826	6,312	2,112	402	0	0	0
CP0163	Houghton Cut Safety Works	Preparation of rockfall protection netting.	M Jackson	30	0	30	0	0	0	0
CP0216	Sunderland Riverside, Stadium Park	Works to provide improved pedestrian and cyclist routes in the vicinity of the Stadium / Beacon of Light and to improve maintenance access to the riverside.	L Clark	1,158	299	859	0	0	0	0
CP0226	Northern Gateway	Improving access to the Wearmouth Bridge and the City Centre via a two way traffic system.	M Jackson	6,000	563	1,151	4,286	0	0	0
CP0228	Footbridge Removal, Glebe Estate	Footbridge Removal, Glebe Estate and associated pedestrian improvements.	M Jackson	250	0	250	0	0	0	0
CP0232	Parking Meters	The replacement and provision of parking meters for new locations in the City and an on-going programme of reviewing provision and introducing new locations for pay and display.	M Jackson	125	64	61	0	0	0	0
CP0237	Safety Fencing Replacement	Replacement of safety fences at priority locations identified, to ensure that public safety is protected.	M Jackson	485	265	120	100	0	0	0
CP0248	City Centre Cycle Permeability Scheme	Deliver better cycling provision into Sunderland City Centre.	M Jackson	946	941	5	0	0	0	0
CP0249	Southern Growth Area - Highways Design	Detailed design of highway infrastructure necessary to complete the Ryhope Doxford Link Road and to open up development land in South Sunderland (Southern Growth Area).	M Jackson	50	17	33	0	0	0	0
CP0279	Highways Maintenance Asset Management	Improvement of the council's major highway assets including roads, bridges, footways and traffic signal equipment.	M Jackson	5,250	1,026	1,126	1,598	1,500	0	0
CP0280	Car Parks	The refurbishment of St Marys lifts and maintenance works including relining and resurfacing in the car parks.	M Jackson	95	37	58	0	0	0	0

**CITY SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0330	Structural Maintenance of A195 Bridges	Structural maintenance to A195 Lambton Interchange Bridges and Harraton Hall Footbridge.	M Jackson	584	30	554	0	0	0	0
CP0342	A1231 Bridge Maintenance	A programme of Structural maintenance to bridges on the Nissan Interchange and Low Barmston Access Bridge.	M Jackson	750	0	653	97	0	0	0
	<b>Flood &amp; Coast Risk Management</b>									
CP0160	Flood and Extreme Weather Mitigation	Rolling programme of flood defence and flood alleviation schemes in accordance with the flood priority list and extreme weather repairs, as well as match funding flood studies jointly carried out by Sunderland City Council, Northumbrian Water and the Environment Agency.	M Jackson	3,066	1,359	637	816	254	0	0
	<b>Parks</b>									
CP0164	Roker Parks Improvement	Subject to securing Heritage Lottery funding the project will see Roker Park restored including, the restoration of the old Park Lodge, new catering facilities and infrastructure and landscape improvements.	I Fairlamb	3,000	80	0	52	2,868	0	0
	<b>Infrastructure and Transportation</b>									
CP0009	Private Streetworks	Council contribution to the upgrade of private streets.	M Jackson	50	0	50	0	0	0	0
CP0239	Street Lighting - Energy Saving Project	The Phase 1 LED replacement programme will be completed in February 2018 at which time over 23,000 units will have been converted.	M Jackson	6,200	1,879	4,321	0	0	0	0
CP0310	LED Street Lighting Phase 2	Following on from the progress of phase 1 installation of LED lights, it is planned that a further 24,513 lamps of varying energy consumption be converted to LED lamps. The majority, over 20,000, is units currently burning between 100W and 250W of energy and the proposed replacements would burn at between 50W and 100W without detriment to required lighting levels.	M Jackson	7,900	0	1,700	3,300	2,700	200	0
	<b>Environmental Services (Street Scene)</b>									
CP0161	Improvements to the Crematorium	Physical and structural improvements to the Crematorium.	M Speed	140	60	0	80	0	0	0
CP0185	Fleet Replacement	Plant lifecycle replacement of fleet within Place Directorate.	M Speed	1,308	1,148	160	0	0	0	0
CP0186	Replacement of Cremators	Replacement of the crematorium equipment, comprising three cremators and associated emissions control system to ensure the reliable and compliant operation of the council's bereavement service.	M Speed	900	16	500	384	0	0	0
CP0229	Recycling and Garden Waste Collection Fleet Replacement	Replacement of split body recycling and garden waste collection vehicles to continue the Council's existing service provision.	M Speed	2,930	203	2,727	0	0	0	0
CP0231	Replacement Horticultural Equipment	Replacement of equipment required to continue service delivery.	M Speed	478	154	324	0	0	0	0
CP0233	In Cab GIS Information System	Introduction of In Cab GIS System for the refuse and recycling fleet to enable real time links with the CSN to improve service performance and efficiency.	M Speed	134	120	14	0	0	0	0

**CITY SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0282	Trade Waste Bins	Additional trade bins required to meet service delivery.	M Speed	20	5	15	0	0	0	0
CP0283	Mobile Catering Facility	Provision of equipment for mobile catering facilities.	M Speed	40	38	2	0	0	0	0
CP0284	Specialist Vehicle Replacement – transit vehicles	Purchase of cash in transit vehicles which have reached the end of their operational life.	M Speed	96	0	96	0	0	0	0
CP0285	Parks & Cemetery Infrastructure - Paths	A four year repair inspection and maintenance programme from 2016/2017 in cemeteries and parks.	M Speed	300	71	79	75	75	0	0
CP0278	Specialist Vehicle Replacement – collection vehicles	Replacement of bulky item collection vehicles which have reached the end of their operational life.	M Speed	153	0	153	0	0	0	0
	<b>Coast Protection</b>									
CP0039	SF3 - Initial Development Works	Initial development works for Strategic Frontage 3.	M Jackson	199	29	170	0	0	0	0
	<b>Play Provision Play and Urban Games Strategy :</b>									
CP0189	Play Provision Schemes	Improvement works to play areas across the city.	M Speed	453	381	72	0	0	0	0
CP0300	Play Provision - Ryhope	Play provision in Ryhope.	M Speed	284	135	149	0	0	0	0
	<b>Events, Culture &amp; Sport</b>									
CP0309	Park Life - FA Football Hubs Development Costs	Stage 1 development costs for the Park Life project.	V French	250	0	250	0	0	0	0
CP0309	Park Life - FA Football Hubs	The planned provision of 3 football Hub sites strategically located in areas of demand, geographically positioned and with good transport links. Project to be 60% externally funded with a council match funding of 40%.	V French	12,000	0	0	10,000	2,000	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>256,579</b>	<b>106,523</b>	<b>67,426</b>	<b>33,470</b>	<b>29,942</b>	<b>17,717</b>	<b>1,501</b>
	<b>Projects Commencing 2018/19 Local Transport Plan</b>									
CP0024	Highways Maintenance	Implement the Highway Maintenance Programme of road resurfacing and footway reconstruction schemes.	M Jackson	2,733	0	0	2,733	0	0	0
CP0026	Integrated Transport	Annual programme for the implementation of Road Safety and Traffic Congestion improvement schemes.	M Jackson	1,008	0	0	1,008	0	0	0
	<b>Flood and Coast Management</b>									
CP0357	Coastal Defence - Strategic Frontage 3	Coastal defence scheme situated around east of the port which will protect the Ports infrastructure. The project is reliant upon successful external funding bids.	M Jackson	10,500	0	0	1,575	5,250	3,150	525
	<b>Infrastructure and Transportation</b>									

**CITY SERVICES  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CP0356	Software Centre Car Park	Car parking provision has been a barrier to securing further occupants at the Software Centre. Provision of a 59 space car park will aid the centre offer, assist in increasing centre occupancy and generate additional income.	M Jackson	356	0	0	356	0	0	0
CP0360	Roker Car Park Extension	Extension to the existing Roker car park will create an additional 25 spaces and disabled coach parking, generating additional income of circa £0.025m pa. Planned works will include improved signage, new bins and cycle parking.	M Jackson	150	0	0	50	100	0	0
CP0361	SSGA - Ryhope Doxford Link Road	New road infrastructure which will support new homes in SSGA in advance of S106 funding. SSGA is to provide; 4,000 family and executive homes and will result in council tax growth, New Homes Bonus, 300 affordable homes and significant construction job creation/safeguards.	M Jackson	5,000	0	0	0	1,000	3,000	1,000
CP0362	A19/A690 Doxford Park Junction Improvement Scheme	Capacity improvement measures at the A19/A690 Doxford Park junction including upgrade of the A19 southbound off-slip road. The proposals will support delivery of approaching 1,000 dwellings prior to 2021 and a further 4,000 dwellings subsequently, facilitating SSGA. Includes expected match funding from Highways England.	M Jackson	1,919	0	0	1,919	0	0	0
<b>Environmental Services (Street Scene)</b>										
CP0352	Replacement Household Waste and Recycling Centre	Provision of new household waste facility. Planned relocation of the main facility with a further micro-site at Coalfields.	M Speed	5,000	0	0	1,500	3,500	0	0
CP0353	Refuse Collection Vehicle Replacement Programme	Planned replacement of the fleet of 20 refuse collection vehicles at the forecast end of life. Consideration will be given at time of purchase to electric / hybrid options.	M Speed	3,780	0	0	0	0	3,780	0
CP0354	Specialist (Large) Vehicle Replacement Programme	Planned replacement of large specialist vehicle and plant fleet purchases in order to ensure most efficient use of resources. Consideration will be given at time of purchase to electric / hybrid options.	M Speed	1,920	0	0	873	138	489	420
CP0355	Redevelopment of Parsons Depot	Provision of one operational depot at Parsons, Washington to replace South Hylton House and Houghton (Jack Crawford House would be retained). The project would include provision for the alternative location for the salt barn currently on located on the SSTC3 route.	M Speed	6,854	0	0	4,000	2,854	0	0
<b>TOTAL PROJECTS COMMENCING 2018/19</b>				<b>39,220</b>	<b>0</b>	<b>0</b>	<b>14,014</b>	<b>12,842</b>	<b>10,419</b>	<b>1,945</b>
<b>TOTAL CITY SERVICES PORTFOLIO</b>				<b>295,799</b>	<b>106,523</b>	<b>67,426</b>	<b>47,484</b>	<b>42,784</b>	<b>28,136</b>	<b>3,446</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM EXTERNAL SOURCES</b>					
<b>Loans</b>					
Prudential Borrowing	47,022	24,393	13,674	5,593	1,788
Salix	6,021	3,300	2,700	200	
<b>Government Grants</b>					
DfT - Local Transport Plan (LTP)	4,695	5,482			
DfT - National Productivity Investment Fund	932	3,360			
Local Pinch Point (LPP)	30				
DfT - Pothole Grant	260	479			
Environment Agency Coast Protection	499	216	2,427	557	
Government Grants General	10				
Local Growth Fund (LGF)		1,800	19,945	17,517	1,238
Highways England		1,439			
<b>Grants from Other Public Bodies</b>					
Lottery - Heritage Lottery Fund (HLF)			2,700		
Nexus LTP	41	42			
Sport England	150				
Football Association		6,000	1,200		
<b>Total External Sources</b>	<b>59,660</b>	<b>46,511</b>	<b>42,646</b>	<b>23,867</b>	<b>3,026</b>
<b>FROM INTERNAL SOURCES</b>					
<b>Revenue Contributions</b>					
Directorate	74				
<b>Reserves</b>					
Strategic Investment Reserve	383				
Capital Priorities Reserve	3,765	100		3,780	
Strategic Investment Plan Reserve	1,909				
Stadium Park Transfer Reserve	859				
S106 Reserve	254				
Port Reserve	151				
Unutilised RCCO Reserve	271				
Other Capital Reserves	100				
<b>Capital Receipts</b>		873	138	489	420
<b>Total Internal Sources</b>	<b>7,766</b>	<b>973</b>	<b>138</b>	<b>4,269</b>	<b>420</b>
<b>TOTAL FINANCING</b>	<b>67,426</b>	<b>47,484</b>	<b>42,784</b>	<b>28,136</b>	<b>3,446</b>

**RESPONSIVE SERVICES AND CUSTOMER CARE  
CAPITAL PROGRAMME**

**Appendix 4 continued**

Project Ref.No.	Project	Project Description	Project Sponsor	Gross Cost £'000	Expend to 31.3.17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	<b>Continuing Projects</b>									
	<b>Customer Care</b>									
CP0057	Customer Service Network Platform	To improve the quality and accessibility of customer services.	L St Louis	949	892	57	0	0	0	0
<b>TOTAL CONTINUING PROJECTS</b>				<b>949</b>	<b>892</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RESPONSIVE SERVICES &amp; CUSTOMER CARE</b>				<b>949</b>	<b>892</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source of Finance	Estimated Resources				
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>FROM INTERNAL SOURCES</b>					
Revenue Contributions					
Reserves					
Unutilised RCCO Reserve	57				
Capital Receipts					
<b>Government Grants</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FINANCING</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Prudential and Treasury Indicators 2018/2019 to 2020/2021

All of the prudential indicators fully reflect regulatory requirements. Should any of the Council's prudential indicators be exceeded during the year then they will be reported to Cabinet and where appropriate full Council at the next appropriate meeting following the change.

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

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

- P1 Actual capital expenditure incurred in 2016/2017 was £77.886 million and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
Estimated Capital Expenditure	141,657	147,528	75,469	54,517
Efficiency Transformation Projects	4,000	3,480	0	0
<b>Total Capital Expenditure</b>	<b>145,657</b>	<b>151,008</b>	<b>75,469</b>	<b>54,517</b>

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

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



Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2016/2017 are:

<b>Ratio of financing costs to net revenue stream</b>				
<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
7.19%	8.51%	9.87%	11.95%	12.75%

The estimates of financing costs include current commitments and the proposals in the revenue budget and capital programme reports. The forecasts provide an indication of the impact of the capital investment plans on the Council's overall finances. They show increases to the ratio as a result of forecast reductions in future years Government Funding allocations and additional planned prudential borrowing for strategic priorities approved in the capital programme.

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

- P3 Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31st March 2017 are:

<b>Capital Financing Requirement</b>				
<b>31/03/2017</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2020</b>	<b>31/03/2021</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
354,080	420,917	510,894	527,585	535,525

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

The Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases). Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £84.274 million of such schemes included in its Capital Financing Requirement at 31<sup>st</sup> March 2017.

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

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

The Council had no difficulty meeting this requirement in 2016/2017, 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 2018/2019.

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

	<b>Authorised Limit for External Debt</b>			
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	493,192	505,092	521,381	538,024
Other long term liabilities	84,361	79,031	73,641	67,895
<b>Total</b>	<b>577,553</b>	<b>584,123</b>	<b>595,022</b>	<b>605,919</b>

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

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

In taking its decisions on the Revenue Budget and Capital Programme for 2018/2019, the Council is asked to note that the authorised limit determined for 2018/2019 (see P5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

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

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

#### Operational Boundary for External Debt

	2017/2018	2018/2019	2019/2020	2020/2021
	£'000	£'000	£'000	£'000
Borrowing	414,599	480,092	496,381	513,024
Other long term liabilities	84,361	79,031	73,641	67,895
<b>Total</b>	<b>498,960</b>	<b>559,123</b>	<b>570,022</b>	<b>580,919</b>

- P7 The Council's actual external debt at 31<sup>st</sup> March 2017 was £353.982 million and was made up of actual borrowing of £269.708 million and actual other long term liabilities of £84.274 million

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

- P8 The Council is no longer required to formally indicate if it has adopted the CIPFA Code of Practice on Treasury Management. However the revised Code was adopted on 3<sup>rd</sup> March 2010 by full Council and is re-affirmed annually.

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

- (a) capital expenditure plans are affordable;
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management and investment decisions are taken in accordance with professional good practice and in full understanding of the risks involved;  
and that in taking decisions in relation to (a) to (c) above the local authority is:
- (d) accountable, by providing a clear and transparent framework.  
Further, the framework established by the Code should be consistent with and support:
- (e) local strategic planning;
- (f) local asset management planning;
- (g) proper option appraisal.

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

#### **CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2018/2019 to 2020/2021**

- P9 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £350 million in 2018/2019, £365 million in 2019/2020 and £350 million in 2020/2021.
- P10 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £58 million in 2018/2019, £46 million in 2019/2020 and £53 million in 2020/2021.
- P11 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

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

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

- P12 A maximum maturity limit of £75 million is set for each financial year (2018/2019, 2019/2020 and 2020/2021) for long-term investments (those over 365 days), made by the Council. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. The types of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 8).

At present the Council has £21.914m of long-term investments. This is £16.400m for the value of share capital held in NIAL Holdings PLC (a 9.62% share), a £5.000m equity investment in Siglion (a 50% share), a £0.500m equity share in Sunderland Lifestyle Partnership Ltd (a 50% share) and the Council also holds £0.014m in shares and unit trusts.

## Minimum Revenue Provision Policy Statement 2018/2019

- 1.1 The Council is required to repay an element of its capital financing requirement each year through a revenue charge known as the Minimum Revenue Provision (MRP). Until 2007/2008 the basis of calculation for the MRP was specified in legislation. However, from 31<sup>st</sup> March 2008 onwards the statutory requirement is simply for local authorities to make a prudent level of provision and the Department for Communities and Local Government (DCLG) has instead provided statutory guidance on the methodology to use, which local authorities are required to 'have regard to' when assessing an appropriate MRP. The guidance recommends that authorities must submit to full Council an annual statement of its policy on making a MRP in respect of the following financial year. Any subsequent revisions to that policy should also be approved by full Council. DCLG have consulted on revised MRP guidance for accounting periods starting on or after 1<sup>st</sup> April 2018 and this revised guidance has been considered when setting the MRP for 2018/2019.

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

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

This document sets out the MRP policy for 2018/2019.

- 1.2 The statutory guidance issued by the DCLG considers the broad aim of a prudent MRP policy as being "to ensure that the debt is repaid over a period of time that is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant." The revised DCLG guidance, currently being consulted upon, considers that the maximum asset life over which debt should be repaid should be 50 years for freehold land and 40 years for any other asset class.

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

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

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

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

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

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

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

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

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

- 1.6 It is proposed that MRP for both supported and unsupported borrowing continues to be calculated using an annuity method. The interest rate used to profile the MRP under the annuity method will be 3.50% which is the discount rate used by the government in its Green Book when assessing long term projects and is similar to the Council's current interest paid on borrowing (3.26%). Government guidelines support use of the annuity method to calculate MRP for option 3 and the interest rate used to profile MRP will be reviewed annually to ensure that it is still appropriate.

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

Use of the annuity method does not increase overall levels of debt but does mean that the level of capital expenditure financed by borrowing, the Capital Financing Requirement (CFR) will initially reduce more slowly than using the equal instalment method as the amount of MRP applied in early years is lower. The consequence of debt being repaid more slowly will be that the



Council incurs a higher interest cost (although the net present value of the additional costs incurred compared to other methods of providing from MRP is neutral).

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

- 1.7 Given budget pressures, it is proposed that opportunities for utilising the prudential framework by taking out additional borrowing, be restricted to a level where provision has been made within the revenue budget and where the expenditure will either be used to support the Council's key priorities in terms of regeneration plans and strategic priorities, to fund invest to save schemes, or to support asset purchases where option appraisal of funding through borrowing instead of leasing is appropriate. The revenue budget is framed to enable such levels to be affordable and sustainable into future years.
- 1.8 Accounting standards require assets purchased through finance leases and PFI contracts to be included on the Council's balance sheet. MRP policy used by the Council will ensure that there will be no impact on council taxpayers from revisions to accounting standards. The amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets i.e. the annual MRP charge will be an amount equal to the amount that has been taken to the balance sheet to reduce the liability for that asset.
- 1.9 In summary, it is recommended that the Council approves the Minimum Revenue Provision Statement for 2018/2019:
  - a) For all government supported borrowing the Council will continue its policy of repaying borrowing over 50 years using the annuity method with the interest rate used to profile MRP being set at 3.5%.
  - b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the annuity method with the interest rate used to profile MRP being set at 3.5%. The estimated useful life of an asset will be assessed by the Executive Director of Corporate Services in consultation with appropriate officers. The MRP charge will commence in the financial year following the one in which the capital scheme the borrowing relates to is complete and the asset has come into service.

- c) For MRP payments in relation to finance leases and PFI contracts, the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets.
- d) The Council will vary MRP payments to that indicated by the adoption of Option 3 where it has taken out unsupported borrowing to provide grants, deposits or loans for capital purposes. In these cases it is proposed that MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided. The likely repayment of these loans will be assessed as part of the budget monitoring process and if it is estimated that there is likely to be a default on repayments then alternative arrangements will be made to repay any shortfall through an increase in MRP.
- e) That the Council continue its policy of reducing MRP for 20 years from 2016/2017 by a fixed amount of £2.176m each year until 2036/2037. This reduction is in respect of overprovision of MRP made for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2016 had the Council followed its current policy for calculating MRP.
- f) Changes to the Council's MRP policy will be made where the Executive Director of Corporate Services determines that such a revision will reduce future years' debt repayment requirements and provide value to the Council. This action, if used, would be reported to Cabinet accordingly.

## Treasury Management Policy Statement

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

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

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

The basis of the agreed Borrowing Strategy is to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Council’s future borrowing requirement when market conditions are considered favourable;
- use a benchmark financing rate of 3.50% for long term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities, as appropriate.

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

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

The Council re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2018/2019 as it does every year.

## Treasury Management Strategy Statement for 2018/2019

### 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 2018/2019 is set out below and is based upon the Executive Director of Corporate Services' views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Link Asset Services.

In December 2017 CIPFA issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code. DCLG are also consulting on changes to the Guidance on Local Government Investments and to the Statutory Guidance on Minimum Revenue Provision with any changes anticipated to take place from 1<sup>st</sup> April 2018. A particular focus of these revised codes is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a higher level than can be attained by treasury investments. Changes to the CIPFA code and proposed changes to the CLG Guidance on Investments are considered within the Treasury Management Strategy and officers will report to members any further implications to the Council of these new codes once the final version of the CLG guidance has been published.

- 1.2 The treasury management strategy covers:

#### A. Borrowing Policy and Strategy

- treasury limits for 2018/2019 to 2020/2021
- current treasury management position
- prudential and treasury management Indicators for 2018/2019 to 2020/2021
- prospects for interest rates
- the borrowing strategy
- the borrowing requirement 2018/2019
- policy on borrowing in advance of need
- debt rescheduling

#### B. Annual Investment Policy and Strategy

- investment policy and objectives
- the investment strategy
- investment types
- investment limits
- provision for credit related losses
- creditworthiness policy
- monitoring of credit ratings
- past performance and current position
- MiFID II
- 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 2018/2019 to 2020/2021**

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

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

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and two successive financial years and details can be found in Appendix 5 (P5) of this report. The Council is asked to approve these limits and to delegate authority to the Executive Director of Corporate Services, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long term liabilities where this would be appropriate. Any such changes made will be reported to Cabinet and the Council at their next meetings following the change.

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

## 2.2 **Current Treasury Management Position**

### 2.2.1 **Interest Rates 2017/2018**

The Bank of England’s (BoE) Monetary Policy Committee (MPC) voted at its 2<sup>nd</sup> November 2017 meeting to increase the Bank Rate by 0.25% to 0.50%, the first increase since July 2007. This increase reverses the emergency cut made in August 2016 after the EU referendum and had been strongly signalled in advance at the September MPC meeting. The increase was made primarily to reduce inflationary pressures within the economy and had been priced into markets. The MPC also gave forward guidance that they expected to increase the Bank Rate very gradually and to a limited extent twice more in the next three years to reach 1.0% by 2020. Link Asset Services, the Council’s treasury advisors, now predict that on current trends base rates will increase by 0.25% towards the end of 2018, 2019 and late summer 2020.

Economic and interest rate forecasting remains difficult, with Brexit and many other external factors influencing the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. The MPC, having previously expressed concern over the apparent lack of significant progress in Brexit negotiations sounded more optimistic in December, noting that recent progress in negotiations had reduced the likelihood of a disorderly exit from the EU. However, developments regarding the UK withdrawal from the EU remain the most significant influence on, and source of uncertainty about, the economic outlook. Geopolitical developments throughout the world but particularly conflict in the Middle East and between the US and North Korea, could also have a major impact.

PWLB rates have remained at historically low levels in 2017/2018 and the expectation is still for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. This expected increase in bond yields has not happened as the action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

US monetary policy has now started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures. A world economic recovery will likely see investors switching from the safe haven of bonds to equities.

It is likely that from time to time gilt yields, and therefore PWLB rates, will be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time over the next few years.

The government introduced a 0.20% discount on PWLB loans under the prudential borrowing regime in March 2012 for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans'. The Council successfully applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31<sup>st</sup> October 2018.

The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the figures for Quarter 4 to 8<sup>th</sup> January 2018.

<b>2017/2018</b>	<b>Qtr 1* (Apr - Jun) %</b>	<b>Qtr 2* (Jul - Sep) %</b>	<b>Qtr 3* (Oct – Dec) %</b>	<b>Qtr 4* (rates to 8<sup>th</sup> Jan 2018) %</b>
7 days' notice	0.11	0.11	0.28	0.28
1 year	0.87*	1.01*	1.18*	1.22*
5 year	1.23*	1.37*	1.58*	1.59*
10 year	1.89*	2.01*	2.13*	2.10*
25 year	2.60*	2.69*	2.73*	2.66*
50 year	2.34*	2.44*	2.44*	2.38*

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

## 2.2.2 Long Term Borrowing 2017/2018

The Council's strategy for 2017/2018 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 3.50% for long-term borrowing was set in light of the views prevalent at the time the Treasury Management policy was set in March 2017.

Volatility in the financial markets in Quarters 1 and 2 continued in Quarter 3 leading to considerable movement of funds into gilts with a resulting fall in both gilt yields and PWLB rates. In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and which will benefit the revenue budget over the longer term. As a result the Council has taken out £10 million of new borrowing during the financial year as these rates were considered opportune. The new borrowing is summarised in the following table:

<b>Duration</b>	<b>Date of the transaction</b>	<b>Start</b>	<b>Matures</b>	<b>Rate %</b>	<b>Loan Amount £m</b>
48½ years	03/11/2017	07/11/2017	07/05/2066	2.41	10.0

Since taking out this new borrowing rates rose before falling to around the levels at which additional borrowing was taken out. The position is subject to large variations but the overall longer term expectation is for gilt yields and PWLB rates to rise, albeit gently. The Treasury Management team continues to closely monitor PWLB rates to assess the value of possible further new borrowing in line with future Capital Programme requirements.

The Borrowing Strategy for 2017/2018 made provision for debt rescheduling but due to the proactive approach taken by the Council in earlier years, and because of the very low underlying rate of the Council's long-term debt, it would be difficult to refinance long-term loans at interest rates lower than those already in place. Rates have not been sufficiently favourable for rescheduling in 2017/2018 so far and the Treasury Management team will continue to monitor market conditions and secure early redemption if appropriate opportunities should arise.

The Council has seven market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the LOBO's that were subject to a potential rollover this financial year. No changes to loan rates have been received and none are expected for the outstanding rollover period LOBO's with Dexia Credit Local and so these arrangements will continue.

Roll Over Dates	Lender	Amount £m	Rate %	Roll Over Periods
27/01/2018	Dexia	5.0	4.32	Every 3 years
21/04/2017 And 21/10/2017	Barclays	5.0	4.50	Every 6 months
10/12/2017	Barclays	9.5	4.37	Every 3 years
<b>Total</b>		<b>19.5</b>		

### 2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31<sup>st</sup> December 2017 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
<b>Borrowing</b>				
Fixed Rate Funding	PWLB	207.8		
	Market	39.6		
	Other	4.2	251.6	3.57
Variable Rate Funding	Temporary / Other		27.6	0.41
<b>Total Borrowing</b>			<b>279.2</b>	<b>3.26</b>
<b>Total Investments</b>	In house – short term*		<b>143.9</b>	<b>0.62</b>
<b>Net Deficit</b>			<b>135.3</b>	

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

The Council currently has a net deficit of £135.3m which represents the difference between gross debt and total investments and is significantly lower than the Council's capital financing requirement (capital borrowing need). This means that the capital borrowing need has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and it also reduces counterparty risk. The net deficit position is expected to increase over the next few years as the Council has to manage its finances with significantly less government funding. This is likely to impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council will increase.



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

Benefits of having a high level of investments are;

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

Risks associated with holding a high level of investments are;

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

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

- 2.3 Prudential and Treasury Management Indicators for 2018/2019 – 2020/2021**  
Prudential and Treasury Indicators (as set out in Appendix 5) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice.

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

- 2.4 Prospects for Interest Rates**

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

- 2017/2018 0.25% - 0.50%
- 2018/2019 0.50% - 0.75%
- 2019/2020 0.75% - 1.00%
- 2020/2021 1.00% - 1.25%

There are downside risks to these forecasts if economic growth were to fall significantly and upside risks if inflation is significantly higher than expected alongside a higher than expected level of economic growth or if world economic activity and US interest rates increase faster than anticipated. However it is clear that interest rates will remain at historically low levels into the medium term which will keep investment returns at very low levels and there will remain a cost of carry to any new borrowing due to incurring a revenue loss between borrowing costs and investment returns. A detailed view of the current economic background is contained within Annex B to this report. The position will be closely monitored to ensure the Council takes appropriate action as necessary under either scenario.

## 2.5 Borrowing Strategy

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

## 2.6 Borrowing Requirement 2018/2019

The Council's potential borrowing requirement is as follows:

		2018/19 £m	2019/20 £m	2020/21 £m
1.	Capital Programme Borrowing	86.0	25.3	17.9
2.	Replacement borrowing (PWLB)	5.0	5.0	4.0
3.	Replacement LOBO	20.0	10.0	19.5
<b>TOTAL:</b>		<b>111.0</b>	<b>40.3</b>	<b>41.4</b>

### 2.6.1 Borrowing rates

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

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2018	0.50	1.60	2.90	2.60
June 2018	0.50	1.60	3.00	2.70
Sept 2018	0.50	1.70	3.00	2.80
Dec 2018	0.75	1.80	3.10	2.90
March 2019	0.75	1.80	3.10	2.90
June 2019	0.75	1.90	3.20	3.00
Sept 2019	0.75	1.90	3.20	3.00
Dec 2019	1.00	2.00	3.30	3.10
March 2020	1.00	2.10	3.40	3.20
June 2020	1.00	2.10	3.50	3.30
Sept 2020	1.25	2.20	3.50	3.30
Dec 2020	1.25	2.30	3.60	3.40

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2021	1.25	2.30	3.60	3.40

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

The main sensitivities of the forecast are likely to be;

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

Council officers, in conjunction with the Council's treasury advisers, monitor both the prevailing interest rates and the market forecasts. The Executive Director of Corporate Services, taking into account potential market volatility and the advice of the Council's treasury adviser, considers a benchmark financing rate of 3.50% for any further long-term borrowing for 2018/2019 to be appropriate.

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

Consideration will be also given to other options, including further utilising some investment balances to fund the borrowing requirement in 2018/2019. This policy has served the Council well over the last few years as investment returns continue to be low. As a result the Council is currently maintaining a large under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long term whilst ensuring that financing is available to support capital expenditure plans. The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required, and flexibility needs to be retained to adapt to any changes that may occur.

The Executive Director of Corporate Services, taking advice from the Council's treasury advisers will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, 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 treasury investments of the extra sums borrowed. Any decision to borrow in advance will be assessed within the relevant Capital Financing Requirement estimates, with regard to current policies, and will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

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

**2.8 Debt Rescheduling**

The reasons for any rescheduling of debt will include:

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

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

The latest interest rate projections for 2018/2019 show short term borrowing rates will be cheaper than longer term rates and as such there may be potential for some opportunities to generate savings by switching from long term debt to short-term debt. These potential savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

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

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

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

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

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

The Council's investment objectives are:-

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

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

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

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

#### **3.2 Investment Strategy**

This Strategy sets out:

- the guidelines for choosing and placing investments;
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;
- specified investments that the Council will use;
- non-specified investments that the Council will use, clarifying the greater risk implications, identifying the general type of investment that may be used and a limit to the overall amounts of various categories that can be held at any time.

#### **3.3 Investment Types**

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

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

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

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

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

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

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

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

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

### 3.4 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 £15 million. As the Council has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of these short-term investments maturing within 6 months.

A maximum limit of £75 million is to be set for in-house non-specified investments over 365 days up to a maximum period of 2 years (excluding non-treasury management investments and all other investments defined as capital expenditure). This amount has been calculated by reference to the Council's cash flows, including the potential use of earmarked reserves. The Executive Director of Corporate Services will monitor long-term investment rates and identify any investment opportunities if market conditions change.

### 3.5 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.

### 3.6 Creditworthiness policy

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

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

To reflect this and commencing in 2015, in response to the evolving regulatory regime, the three credit rating agencies have carried out a wider reassessment of methodologies. In addition to the removal of implied government support, new methodologies are now taking into account additional factors, such as regulatory capital levels.

In keeping with the agencies' new methodologies, the rating element of our credit assessment process now focuses solely on the Short and Long Term ratings of an institution. The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. While this council understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA. This is due to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

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

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

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

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

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



### 3.7 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 Link Asset Services counterparty service.
- If a counterparty's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the Council will cease to place funds with that counterparty.
- If a counterparty's rating is downgraded with the result that their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa.

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.

### 3.8 Past Performance and Current Position

During 2017/2018 the Council did not employ any external fund managers, all funds being managed by the in-house team. The performance of the fund by the in-house team is shown below and compares this with the relevant benchmarks and performance from the previous year:

	<b>2016/17 Benchmark</b>	<b>2016/17 Return</b>	<b>To date 2017/18 Benchmark</b>	<b>To date 2017/18</b>
<b>Return</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Council	0.20	0.83	0.17	0.62

During 2018/2019 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market. The rate of return achieved is also in the top quartile according to our external Treasury Management advisors who have benchmarked our performance with other authorities.

### 3.9 MiFID II

New European Financial Directives known as MiFID II came into force on 3<sup>rd</sup> January 2018. These directives are designed to strengthen transparency and investor protection in financial markets across the EU. Under the directives each client is classed as either retail or professional. All Local Authorities are initially classified as de facto retail counterparties under MiFID II but with the option to ask to opt up to professional status subject to meeting qualitative and quantitative criteria. Financial Institutions dealing with a number of regulated products including direct investments such as Certificates of Deposit, Gilts,

Corporate Bonds and investment funds (including Money Market Funds) will only be able to deal with professional clients. The Council has opted up to professional client status with a number of financial institutions to allow access to specific products and will seek to opt up to with others where this is appropriate.

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

Based on its cash flow forecasts, the Council anticipates its fund balances in 2018/2019 are likely to range between £15 million and £150 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 2017/2018 short-term interest rates have been materially below long-term rates and some investment balances have been used to fund some long-term borrowing requirements. It is likely that this will continue into 2018/2019 with investment balances being used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

The Council is not committed to any investments which are due to commence in 2018/2019 (i.e. it has not agreed any forward deals).

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

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

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

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

### 3.11 External fund managers

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

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

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

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

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

## 4. Scheme of delegation

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

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

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Policy Statement	Full Council	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy – mid year report	Full Council	Mid year

<b>Area of Responsibility</b>	<b>Council/ Committee/ Officer</b>	<b>Frequency</b>
Treasury Management Strategy / Annual Investment Strategy –updates or revisions at other times	Full Council	As appropriate
Annual Treasury Management Outturn Report	Full Council	Annually by 30/9 after the end of the financial year
Treasury Management Monitoring Reports	Executive Director of Corporate Services	Monthly
Treasury Management Practices	Executive Director of Corporate Services	Annually
Scrutiny of Treasury Management Strategy	Cabinet / Audit and Governance Committee	Annually before Full Council
Scrutiny of Treasury Management Performance	Cabinet / Audit and Governance Committee	Quarterly

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

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

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

**Interest Rate Forecasts**

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

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

## Appendix 8 Continued

Link Asset Services Interest Rate View													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
<b>Bank Rate</b>													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
<b>5yr PWLB Rate</b>													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
<b>10yr PWLB Rate</b>													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
<b>25yr PWLB Rate</b>													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
<b>50yr PWLB Rate</b>													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.50%	2.70%	2.90%	2.90%	2.90%	3.05%	3.05%	3.15%	3.15%	3.40%	3.40%	3.65%	-

## Annex A

## Survey of Economic Forecasts

## HM Treasury November 2017

The current 2017 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury November 2017 report.

BANK RATE FORECASTS	Annual Average Bank Rate				
	Ave. 2017	Ave. 2018	Ave. 2019	Ave. 2020	Ave. 2021
<b>Average</b>	0.39%	0.65%	0.98%	1.41%	1.70%
<b>Highest</b>	0.50%	0.92%	1.50%	2.10%	1.50%
<b>Lowest</b>	0.29%	0.50%	0.50%	0.50%	0.50%

Source: HM Treasury: Forecasts for the UK Economy Nov. 2017 (No.366)

## Economic Background

### 1.1 United Kingdom Economy

The UK economy grew strongly in 2016 however growth in 2017 has been weak with growth in quarter 1 being +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 surprised forecasters by taking a more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. The MPC focus in deciding that the base rate should increase to reduce inflation based on the view that an increase in rates would not damage the economy as with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. The Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November 2017 meeting, the MPC approved a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is a relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.



However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the likely coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area, in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it appears to be too early to be confident about how the next two to three years will evolve.

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

- Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.

- The result of the October 2017 Austrian general election has resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major obstacle to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of quantitative easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

### 1.2 Global Outlook

World growth is showing an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October the IMF upgraded forecasts for world growth from 3.2% to 3.6% for 2017 & 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). The cause of this is probably the combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

Globally, looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that this period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither limit economic recovery by taking too rapid and too strong action, or, alternatively, letting inflation increase by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

There is also a key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep inflation from rising to high levels. Alternatively, it is possible that a central bank could simply ignore the overall 2% inflation target in order to take action in raising rates sooner than might otherwise be expected.
- Other economists argue for a shift up in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to high levels when compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

### The Eurozone

Economic growth in the Eurozone (EZ), the UK's biggest trading partner, had been low for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. Growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). Despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA**

Growth in the American economy was notably erratic and volatile in 2015 and 2016 with 2017 following that trend with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates three increases in 2017 with the rate now at 1.50%. There could then be another three increases in 2018 and 2019. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**Asia**

Economic growth in China has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Elsewhere in Asia, GDP growth in Japan has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

## Annex C

## Lending List Criteria

**Counterparty Criteria**

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

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

<b>Fitch / S&amp;P's Long Term Rating</b>	<b>Fitch Short Term Rating</b>	<b>S&amp;P's Short Term Rating</b>	<b>Moody's Long Term Rating</b>	<b>Moody's Short Term Rating</b>	<b>Maximum Deposit £m</b>	<b>Maximum Duration</b>
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	75	2 Years
A+	F1	A-1	A1	P-1	70	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	65	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	50	364 days
<b>Local Authorities</b> (limit for each local authority)					30	2 years
<b>UK Government</b> (including debt management office, gilts and treasury bills)					350	2 years
<b>Money Market Funds (CNAV, LVNAV and VNAV)</b> Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
<b>Local Authority controlled companies</b> (# duration limited to 20 years in accordance with Capital Regulations)					40	# 20 years

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

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

### Country Limit

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

It is also proposed to set a total limit of £100m 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	100

### Sector Limit

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

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

### Group Limit

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

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

Proposed group limits are set out in Annex D.

## Annex D

## Approved Lending List

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
<b>UK</b>	AA	-	Aa2	-	AA	-	350	2 years
<b>Lloyds Banking Group</b>							<b>Group Limit 65</b>	
Lloyds Bank Plc	A+	F1	Aa3	P-1	A	A-1	65	364 days
Bank of Scotland Plc	A+	F1	Aa3	P-1	A	A-1	65	364 days
<b>Royal Bank of Scotland Group</b> (See Note 1)							Group Limit 80	
Royal Bank of Scotland Group plc	BBB+	F2	Baa3	P-3	BBB-	A-3	80	2 years
The Royal Bank of Scotland Plc	BBB+	F2	A2	P-1	BBB+	A-2	80	2 years
National Westminster Bank Plc	BBB+	F2	A2	P-1	BBB+	A-2	80	2 years
<b>Santander Group</b>							<b>Group Limit 65</b>	
Santander UK plc	A	F1	Aa3	P-1	A	A-1	65	364 days
Barclays Bank plc	A	F1	A1	P-1	A	A-1	65	364 days
Clydesdale Bank *	BBB+	F2	Baa1	P-2	BBB+	A-2	0	
Co-Operative Bank Plc	B-	B	Caa2	NP	-	-	0	
Goldman Sachs International Bank	A	F1	A1	P-1	A+	A-1	65	364 days
HSBC Bank plc	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Nationwide BS	A+	F1	Aa3	P-1	A	A-1	65	364 days
Standard Chartered Bank	A+	F1	A1	P-1	A	A-1	65	364 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A	F1	A2	P-1	-	-	65	364 days
Leeds BS	A-	F1	A3	P-2	-	-	50	364 days
Nottingham BS **	-	-	Baa1	P-2	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS **	A-	F1	Baa1	P-2	-	-	0	
West Bromwich BS **	-	-	B1	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days



## Appendix 8 Continued

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
<b>Money Market Funds</b>							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Standard Life Investments Liquidity Fund	AAA		-		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £100m								
<b>Australia</b>	AAA		Aaa		AAA		100	2 years
Australia and New Zealand Banking Group Ltd	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
<b>Canada</b>	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	A1	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	A1	P-1	AA-	A-1+	70	364 days
Toronto Dominion Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
<b>Finland</b>	AA+		Aa1		AA+		100	2 years
OP Corporate Bank plc	-	-	Aa3	P-1	AA-	A-1+	75	2 years
<b>Germany</b>	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
<b>Netherlands</b>	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days

## Appendix 8 Continued

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

### Notes

#### Note 1 **Nationalised / Part Nationalised**

The counterparties in this section will have the UK Government's AA rating applied to them thus giving them a credit limit of £80m.

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

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

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

**CABINET**

**7 FEBRUARY 2018**

**Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/2021**

**Report of the Executive Director of Corporate Services**

**1. Purpose of Report**

**1.1 To report:**

- the overall revenue budget position for 2018/2019;
- the projected balances position as at 31st March 2018 and 31st March 2019 and advise on their level;
- a risk analysis of the Revenue Budget 2018/2019;
- a summary of the emerging medium term financial position facing the Council from 2019/2020 to 2020/2021 and associated Council Efficiency strategy;
- any views received from the North East Chamber of Commerce, Trade Unions and Scrutiny Coordinating Committee.

**2. Description of Decision**

**2.1 Members are requested to:**

- recommend to Council the proposals set out in the report including the proposed Revenue Budget for 2018/2019 set out at Appendix J;
- recommend to Council the Medium Term Financial Strategy 2018/2019 to 2020/2021 including Efficiency Strategy as set out in Appendix G and the proposed use of Capital Receipts Flexibility set out at section 10 of the report;
- recommend to Council the proposed Council Tax for 2018/2019 at Appendix F ;
- note the views, expressed by the North East Chamber of Commerce, Trade Unions and Scrutiny Coordinating Committee.

**3. Introduction**

**3.1 Cabinet will be aware that in March 2017, Council approved a programme of budget proposals covering the period 2017/2018 to 2019/2020.**

**3.2 In September 2017 Cabinet subsequently agreed a programme of additional proposals to assist in addressing the outstanding gap for 2018/2019 and 2019/2020 at that time.**

**3.3 In January 2018 Cabinet received an update on the budget position following the Indicative Local Government Finance Settlement 2018/2019. At that stage there were a number of uncertainties still to be resolved, primarily:**

- the outcome of the final Local Government Revenue Support Grant Settlement for 2018/2019 and related grant announcements;
- transitional costs in relation to the implementation of savings proposals;

- the final agreed pay award;
- the estimation of Business Rates resources;
- the final Collection Fund position for both Council Tax and Business Rates.

3.4 In presenting the Revenue Budget 2018/2019 this report covers the following areas:

- Current Overall Position 2018/2019 to 2020/2021 (section 4);
- Final position at February 2018 (section 5);
- Spending Pressures and Commitments (section 6);
- Budget gap (section 7);
- Proposals To Meet the Funding Gap (section 8);
- Overall Budget Position 2018/2019 (section 9);
- Workforce Planning, Transformational costs and Capital Receipts Flexibilities (section 10);
- Medium Term Financial Position and associated Efficiency Strategy (section 11);
- Budget Communication and Consultation (section 12);
- Equality and the Budget Proposals (section 13);
- Balances and Reserves (section 14);
- Detailed Revenue Budget (section 15).

3.5 Taking account of the above, Cabinet is asked to consider the final budget proposals and detailed revenue budget as set out in Appendix J, including the proposed use of balances and the position in relation to major reserves, for recommendation to Council.

#### 4. Current Overall Position 2018/2019 to 2020/2021

4.1 The January Cabinet report set out the provisional settlement for the Council and set out progress in relation to a number of outstanding uncertainties.

The final settlement was not announced at the time of writing this report. On January 25<sup>th</sup>, Government issued revised calculations relating to the Top Up grant allocations which resulted in a minor change to the net Top up grant to be received in 2018/2019. The impact of this change has been reflected in the Budget planning for 2018/2019. It is not anticipated there will be any further significant changes to the funding position set out in the January Cabinet report as a result of the final settlement.

Section 5 below sets out further information about the grant changes in accordance with the indicative settlement, while section 6 sets out the final spending pressures and commitments to be taken into account in setting the budget for 2018/2019.

The overall position remains unchanged with reductions of circa £53m estimated to be required over the period.

## **5. Final Position February 2018**

### **Collection Fund**

- 5.1 The Collection Fund position is reported elsewhere on this agenda. The position is positive with the surplus available to the Council being £1,844,629, of which £500,000 has been taken into account in the 2018/2019 budget with the balance to be held in reserves to fund future Medium Term Financial Strategy (MTFS) requirements.

### **Council Tax Base**

- 5.2 The Council, at its meeting on 24th January, 2018, approved the Council Tax Base for the area covered by Hetton Town Council (3,711) and the City Council area (69,991).

### **Retained Business Rates**

- 5.3 The NNDR1 form sets out the Business Rate income forecast for 2018/2019 and was submitted to Government on 31st January 2018 in accordance with regulations. The amount of Business Rates to be retained by the Council for 2018/2019 is forecast to be £43.024m, after cost of collection allowance.

### **Final Local Government Finance Settlement**

- 5.4 The final position on the Local Government Finance Settlement for 2018/2019 was not announced at the time of writing this report but it is not anticipated there will be any change to the position set out in the January Cabinet report.
- 5.5 Details of the final settlement will be circulated separately as Appendix A following the Government announcement. Based on the Indicative Settlement the key issues affecting Sunderland for 2018/2019 are set out below:
- The Councils Settlement Funding Assessment (SFA) level is £118.641m;
  - SFA includes Revenue Support Grant (RSG) of £36.157m in 2018/2019 representing a reduction of £8.555m (-19.1%) compared to 2017/2018 adjusted RSG;
  - Sunderland's final baseline funding level is therefore £82.484m. Within this the Government have assessed the level of Retained Business Rates income which the Council will collect and retain as £40.425m (however the Council must determine for itself the level of Business Rate income to take into account in setting its budget as set out at paragraph 5.3 above);
  - Based on revised data published on 25<sup>th</sup> January the Council will receive Government Top Up Grant of £42.059m for 2018/2019 representing an increase of £1.360m compared to 2017/2018. The revised allocation has been reflected in the budget position set out in this report.
  - The Safety Net Threshold, set by Government at 92.5% of a Council's baseline funding level, equates to £76.297m for Sunderland;
  - The position in respect of changes to other Government funding is set out at section 5.7, 5.8, 5.9 and 5.10;
  - The position in respect of schools funding is set out at section 5.11.

## **Council Tax**

5.6 In accordance with the Localism Act the public have the right to approve or veto excessive council tax rises. Government have proposed that a referendum principle will apply to all principal local authorities, Police and Crime Commissioner and Fire and Rescue Authorities.

- In the Settlement, the Government announced that the referendum threshold for 2018/2019 is 6%, comprising up to 3% for the Adult Social Care precept and up to 3% for the core council tax element. Any increase above the core council tax limit will require a referendum to give the local electorate the opportunity to approve or veto the increase.
- With regard to the Adult Social Care precept, the overall limit of a 6% increase across the three years to 2019/2020 remains, with no one year to exceed 3%. Sunderland raised the Social Care precept by 3% in 2017/2018, leaving a further 3% to be raised across 2018/2019 and 2019/2020.
- The government is to allow Police and Crime Commissioners to increase Council Tax up to a flat rate £12 increase at Band D, in 2018/2019.

## **Changes to Grants from 2017/2018**

5.7 The table at 5.8 sets out the impact of changes to the Council Core Spending Power Calculation which includes Revenue Support Grant, Top up grant, and New Homes Bonus grant, Improved Better Care Fund and Adults Social Care Grant compared to 2017/2018 following the final settlement. This shows an increase in available Spending Power for 2018/19 of £3.3m, representing a 1.4% increase compared to 2017/2018. This is marginally below the national average increase of 1.5%.

- Within this, Revenue Support Grant funding has reduced by £8.555m (-19.1%). This illustrates that the grant element within the funding system which is intended to recognise low income resources and high needs, has again been significantly cut.
- It is also noted that the Government's Core Spending Power measure takes into account assumed income generated through Council Tax, the Social Care Council Tax precept and an assumed level of retained business rates.
- It is also noted that Government have subsumed the one off tapering element of Improved Better Care Fund into the on-going IBCF allocation to present a composite figure.

5.8 The Government will continue to compensate Councils for any changes to nationally determined reliefs allowed for in the Business Rate regime. This includes for changes to Small Business Rates Relief thresholds introduced in April 2017 and the change from RPI to CPI announced as part of the November budget. The core spending power includes for an assumed allocation of £1.7m section 31 grant in 2018/2019.

Spending Power Components	Core Spending Power 2017-18		Final Core Spending Power 2018-19		Changes	
	£m	£m	£m	£m	£m	%
Council Tax Requirement excluding parish precepts		85.616		89.956	4.340	5.1%
Social Care Council Tax precept		4.247		7.212	2.965	69.8%
Settlement Funding Assessment (SFA)						
RSG	44.712		36.157		-8.555	-19.1%
Baseline Funding (Top up Grant)	40.699		42.059		1.360	3.3%
Assumed Business Rates	39.491		40.425		0.934	2.4%
		124.902		118.641	-6.261	-5.0%
Compensation for under-indexing		1.033		1.721	0.688	66.6%
Improved Better Care Funding		9.336		13.038	3.702	39.7%
Provisional New Homes Bonus		3.728		3.195	-0.533	-14.3%
Adult Social Care Support Grant		1.575		0.000	-1.575	-100.0%
<b>Sunderland Total Core Spending Power</b>		<b>230.437</b>		<b>233.763</b>	<b>3.326</b>	<b>1.4%</b>
<i>Memorandum - national position</i>						1.5%

## Impact of Changes to Specific Grants

5.9 In accordance with the budget planning framework and as reported to Cabinet in January, changes in specific grants have been addressed as follows:

- The New Homes Bonus Grant is being used to support the overall budget position in 2018/2019 in accordance with the Budget Planning framework, with appropriate housing related investment factored into both revenue budget and capital programme proposals.
- A reduction in Housing Benefit and Council Tax Administration grants of £0.152m has been built into the planning assumptions.
- Public Health grant of £23.386m for 2018/2019 represents a reduction of £0.617m which has been built into the planning assumptions.
- Allocations in respect of LA Improved Better Care Fund (£13.0m) have been built into the planning assumptions.
- Provision has been included within the Budget Planning Framework for the impact on Education Support Grant reduction in funding and academy transfers.
- NHS Better Care Funding (BCF) is included in allocations to Health. Sunderland's CCG allocation for 2018/2019 is £23.352m representing an increase of £0.435m over 2017/2018. Pooled BCF budgets for use of the 2017/2018 and 2018/2019 allocations were agreed by the Health and Wellbeing Board in November 2017.

5.10 At the time of preparing this report a number of grant allocations are still to be announced by Government. The outcome of allocations for Local Reform and Community Voices, Extended Rights to Free Travel and Independent Living Fund grants will be considered once received.

## Schools Funding

5.11 The Secretary of State for Education has confirmed the future arrangements for school funding:

- The dedicated schools grant for LAs will be allocated in 4 blocks (schools, high needs, early years and central schools services). Each will be calculated on the basis of a different national formula.
- It remains DfE long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' formula). To ensure some transitional stability, LAs will continue to set a local formula for schools in 2018/2019 and 2019/2020.

5.12 The School Funding announcement on the 19<sup>th</sup> December 2017 confirmed the following information based on the October Schools Census data. The change from the provisional funding allocation to the settlement information reflects changes in pupil numbers from October 2016 to October 2017:

	Adjusted Baselines 2017-18	Provisional Funding allocations 2018-19	Settlement Information 2018-19	Change in Funding
	£m	£m	£m	£m
Schools Block	163.249	165.418	165.702	0.284
High Needs Block	22.327	22.932	22.784	-0.148
Central Services Block	1.225	1.250	1.251	0.001
Total	186.801	189.600	189.737	0.137
Early Years	17.508	N/a	18.291	N/a
Total	204.309	189.600	208.028	0.137

The early years block comprises funding for the free early education entitlements for 3 and 4-year-olds and disadvantaged 2-year-olds. The figures are initial allocations for this block as early years funding is based on the January census data.

5.13 Cabinet agreed in January to the principles proposed by the Sunderland Schools Forum for the 2018/2019 Sunderland local funding formula. The National funding formula is to be implemented with the following local adjustments to protect Sunderland schools in the initial years:

- The new Free School Meal Indicator will not be used in the Sunderland Formula to support the following protection to all schools:
- Sunderland Lump Sum value of £150,000 will remain.
- Minimum Funding Guarantee to be implemented at minus 0.087%. This is a minor change from the 0% previously reported and is the amount that is affordable within the schools block funding allocation. This will protect schools and limit the reduction in per pupil funding in 2018/2019.

The Local Funding Formula was submitted to the Education Funding Agency on 19 January 2018. School Funding Briefings were held with all schools and academies on the 25 January 2018.



- 5.14 The pupil premium per pupil amounts are unchanged, with the exception of the pupil premium plus, which will increase from £1,900 per pupil to £2,300, for Looked After Children and those adopted from care or who leave care under a Special Guardianship Order or Child Arrangements Order.

## **6. Spending Pressures and Commitments**

- 6.1 When the Budget Planning Framework was approved in September 2017, Cabinet agreed that the following spending commitments would be taken into account:
- provision in respect of a pay-award;
  - price increases on the basis of prudent assumptions in respect of energy and contractual arrangements;
  - the impact of the National Living wage on contract prices;
  - the incremental impact of workforce transformation;
  - provision for spending commitments in respect of debt charges and interest receipts;
  - the impact of demographic changes and complex needs in respect of adult social care;
  - service pressures as a result of the economic position;
  - replacement of one off resources utilised in setting the 2017/2018 budget.
- 6.2 In addition in January 2018 Cabinet agreed as part of the Budget update report to make additional provision in respect of:
- demand pressures within children's social care;
  - transitional support to allow for service transformation changes within Sunderland Care and Support;
  - reinvestment in place based services to reflect resident feedback;
  - one-off investment to support the Tall Ships event in 2018.

In this context it is proposed to make provision to address a number of spending commitments and pressures as set out below:

### **6.3 Cabinet Secretary**

#### **6.3.1 Pay award**

The proposed budget includes for the impact of the final pay offer made by the National Employers in December 2017 covering the period 1 April 2018 to 31 March 2020. The pay offer includes:

- From 1 April 2018 ('Year One'):
  - Bottom-Loading on SCPs 6-19 - higher increases on the lower pay points resulting in a new bottom rate of £8.50 per hour on SCP6;
  - SCPs 20 and above a flat rate increase of 2%;

- 1 April 2019 ('Year Two'):
  - A bottom rate of £9.00 per hour;
  - Pairing of bottom twelve pay points into six new pay points;
  - 'Ironing out' the current random gaps between pay points and even increments of 2.0% between new SCPs 1 to 22;
  - From new SCP23 onwards, a flat-rate increase of 2.0% and retention of the current random differentials.

### 6.3.2 National Living Wage

The National Living Wage will increase to £7.83 from April 2018. Latest forecasts included within the low pay commission autumn 2017 update, suggest it will rise to £8.61 by 2020. This represents a significant additional cost pressure for local councils. In particular home care and care home providers will seek to pass the cost on through increased contract prices. Appropriate provision has been factored into the Budget planning.

### 6.3.3 Apprenticeship Levy

The Apprenticeship Levy, introduced in April 2017 for large employers (over 250 employees) was reflected in base budgets from 2017/2018. In addition, the council must have regard to a public sector apprenticeship target to employ an average of 2.3% of staff as new apprenticeships start over the period 1 April 2017 to 31 March 2021. Provision is included within the planning to support achieving this target.

### 6.3.4 Workforce Transformation

The financial implications associated with the incremental impact of the workforce transformation review have been factored into the budget planning.

### 6.3.5 North East Combined Authority

The North East Combined Authority budget setting arrangements for the Tyne and Wear Transport Levy for 2018/2019 incorporate the results of changes in the population of the five Districts. This results in a saving of £0.350m to the council which has been reflected in the budget.

## 6.4 Children Services

- 6.4.1 As reported as part of the January Budget update report TfC continue to face pressure as a result of increased numbers of looked after children over that provided for within the budget, and the continued use of agency social workers.

The budget provides for additional contract funding of £4m on an on-going basis from 1 April 2018/2019. The Council continue to work intensively with the Company to develop an action plan that will allow the Company to operate within a sustainable funding envelope that is affordable.

## **6.5 Adults Health and Housing**

- 6.5.1 The increasing longevity of the national and city's population continues to place pressure on Adult Social Services budgets. In addition, client expectations and increasing demand to support clients with complex needs to enable them to maintain independent living requires reconfigured services and additional investment. In addition increased demand for social care packages to support hospital discharges is likely to continue given the national focus on delayed transfers of care and the requirement for Sunderland to maintain its good level of performance. The Budget includes prudent provision to provide for increases in demand and cost for 2018/2019.
- 6.5.2 Additional pressures are likely to arise as a result of the government commitment to move complex need clients from hospital placements into community based support. The council continues to lobby health partners and government to ensure an appropriate transfer of resources to support this additional burden to minimise any additional cost impact to the council. Prudent provision has been allowed for in the contingencies budget to reflect this uncertainty. This position will be kept under review and an update provided in future budget reports.
- 6.5.3 As reported as part of the January Budget update report, Sunderland Care and Support (SCAS) have pressures as a result of the impact of workforce transformation. Plans are being progressed to address the budget pressure during 2018/2019. The budget provides for a one-off additional contribution of £1.8m in 2018/2019 in order to provide for a lead in time for further changes to be implemented.

## **6.6 Public Health, Wellness and Culture**

- 6.6.1 The Tall ships event in July 2018 is anticipated to attract significant numbers of visitors to the city with significant associated economic benefits. The budget includes for £2m one-off additional funding to meet the costs of dredging, and event infrastructure to support the event.

## **6.7 City Services**

- 6.7.1 The Budget consultation feedback for 2017/2018 highlighted the importance of place based services to city residents, however satisfaction levels were low. The service has been subject to significant reductions in recent years as a result of austerity measures. Additional on-going funding of £0.5m was provided as part of the 2017/2018 budget.

The budget provides for continued reinvestment in Place based services with £0.5m on-going additional funding to be provided in each year of the three years 2018/2019 to 2020/2021, so that by 2020/2021 there is an additional £1.5m in the place base budget provision. In addition it is proposed that in 2018/2019 and 2019/2020 one-off resources are utilised to boost the base budget position so that the service has available a total additional £1.5m in each of the next three years to improve outcomes for residents.

## 7. Summary Funding Gap

- 7.1 Taking into account the issues set out in section 5 and section 6, there is a budget gap of £27.37m in 2018/2019 and £53.01m over the three years to 2020/2021, as a result of funding changes, spending pressures and commitments as set out below:

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
Funding Changes	1.81	6.59	0.27	8.67
Total Ongoing Spending Pressures	25.56	6.19	12.59	44.34
Additional IBCF Social Care grant allocation	(4.49)	(2.22)	0.00	(6.71)
Use of additional IBCF Social Care grant for social care purposes	4.49	2.22	0.00	6.71
<b>Total Budget Gap</b>	<b>27.37</b>	<b>12.78</b>	<b>12.86</b>	<b>53.01</b>

## 8. Proposals to meet the funding gap 2018/2019

### 8.1 Budget Savings proposals

- 8.1.1 As reported to Cabinet in September 2017 as part of the Budget Planning Framework:

- In March 2017, Council agreed a three year programme of savings covering the period of the MTFS. This included approval of £25.75m of budget reductions for the period 2018/2019 to 2020/2021.
- To assist in addressing the remaining 2018/2019 and 2019/2020 budget gap, additional budget savings proposals of £4.15m were approved to be taken forward through the budget process for consideration by Scrutiny Coordinating committee.

Taken together, this represents a suite of budget reductions totalling £29.90m over the MTFS period, as summarised in the table below.

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
<b>Current Savings Plans to Meet the Funding Gap</b>				
Leader (Appendix B.1)	(0.38)	(0.20)	0.00	(0.58)
Deputy Leader (Appendix B.2)	(1.41)	(1.83)	0.00	(3.24)
Cabinet Secretary (Appendix B.3)	(3.88)	(1.89)	0.00	(5.77)
Childrens Services (Appendix B.4)	(2.61)	(3.58)	0.00	(6.19)
Health, Housing and Adult Services (Appendix B.5)	(4.78)	(1.33)	(0.14)	(6.25)
Public Health, Wellness and Culture (Appendix B.6)	(0.45)	(0.90)	0.00	(1.35)
City Services (Appendix B.7)	(2.62)	(2.65)	(0.30)	(5.57)
Responsive Services and Customer Care (Appendix B.8)	(0.48)	(0.47)	0.00	(0.95)
<b>Total Current Savings Programme</b>	<b>(16.61)</b>	<b>(12.85)</b>	<b>(0.44)</b>	<b>(29.90)</b>

- 8.1.2 Further detail on each of the budget reductions is set out at Appendix B.
- Those savings previously approved by Council in March 2017 are presented for information only at section 1 of each Portfolio together with the relevant web-link to the March Council Budget report and associated Equalities Analysis.
  - The additional savings proposals as agreed by Cabinet in September 2017 are presented in more detail from section 2 onwards of each portfolio appendix alongside associated Equalities analysis.
- 8.1.3 The suite of budget reductions set out at Appendix B, have been prepared in accordance with the Council's Efficiency Strategy as approved by Council in March 2017 (updated and attached as Appendix Gi). The Strategy sets out that in order to deliver the level of savings required in the medium term, further transformation of service delivery is required with resources prioritised to support statutory requirements and key priorities, reflecting the council's core value principles:
- People - caring for, protecting and supporting the most vulnerable adults and children in our communities;
  - Place - keeping our communities as safe, clean and well maintained as possible within the resources available;
  - Economy - continuing support to the economic regeneration of the city by encouraging businesses and jobs into the city.
- 8.1.4 For all service areas this includes consideration of:
- Ensuring resources are targeted on statutory and front line services and protecting key priority services;
  - Redesigning and reshaping services to deliver required outcomes at least cost and maximise productivity;
  - Maximising back office savings with a reduction in strategic and support services, with proportionately greater reductions as the Council reduces in size and headcount;
  - Maximising opportunities afforded through use of technology and manager self-service;
  - Strategic commissioning based on outcomes - with reduced commissioning and service standards;
  - Ensuring commercial procurement arrangements and contract management deliver maximum outcomes for less resource;
  - Maximising commercial income opportunities where there is a market and business case;
  - Involving the community – residents, businesses, partners, voluntary sector to ensure best outcomes for the city;
  - Continued focus on regeneration, and inward investment, funding leverage and commercial opportunities.
- 8.1.5 The strategy is reviewed annually to reflect latest information. The updated Efficiency Strategy is incorporated in the update to the Medium Term Financial Strategy and attached to this report as Appendix Gi).

## **8.2 Proposed Council Tax Increase 2018/2019**

8.2.1 In order to prevent further cuts to front line services and enable some investment in services which previous consultation has told us is important to residents, it is proposed to increase the council tax and the social care levy for 2018/2019.

8.2.2 Previous consultation undertaken as part the 2017/2018 budget setting process asked respondents whether they supported increases in Council Tax within the Governments referendum limit.

Over 77% of respondents to the question supported an increase in Council Tax:

- 58% supported an increase in Council Tax within the Government's set referendum limit;
- 19% supported an increase above the referendum limit.

8.2.3 The referendum limits set out in the local government settlement for 2018/2019 enable the combined council tax and social care precept to be increased by up to 5.99% without the need for a referendum.

8.2.4 For 2018/2019 it is proposed to increase core council tax by 2.99% and to increase the social care precept by 2%, resulting in a combined increase of 4.99% i.e. 1% below the referendum limit permitted by government.

8.2.5 The formal decisions of the major precepting bodies are awaited regarding their precept proposals for 2018/2019. Consequently, the Proposed Council Tax for 2018/2019 will be tabled as Appendix F to this report at the Cabinet meeting on 7th February 2018.

## **8.3 Proposed Use of One-off Resources**

8.3.1 It is proposed that one-off resources (Reserves) be utilised in 2018/2019 and 2019/2020 to support the budget while work continues to develop further savings proposals to address the medium term budget gap.

It is proposed that reserves of £6.40m are utilised in 2018/2019 in order to ensure a balanced budget position is maintained while smoothing the impact of the funding cuts and cost pressures. It is also proposed that reserves of £3.49m be utilised in 2019/2020 in order to allow time for additional savings plans to be developed over the MTFS period.

## 9. Overall Budget Position 2018/2019

- 9.1 The overall budget position is set out below, taking into account government funding changes, cost pressures and proposals to meet the funding gap. This shows a balanced budget position for 2018/2019 (and 2019/2020) taking into account proposed council tax and social care levy increases and use of reserves. There remains a budget gap of £14.0m for 2020/2021.

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
Government Funding Changes and Spending Pressures	27.37	12.78	12.86	53.01
Total Current Savings Programme	(16.61)	(12.85)	(0.44)	(29.90)
<b>Funding Gap</b>	<b>10.76</b>	<b>(0.07)</b>	<b>12.42</b>	<b>23.11</b>
Use of Reserves to meet meet pressures on one-off basis	(6.40)	(3.49)	0.00	(9.89)
Pressure from one-off use of reserves in 2018/2019 and 2019/2020	0.00	6.40	3.49	9.89
<b>Net Position</b>	<b>4.36</b>	<b>2.84</b>	<b>15.91</b>	<b>23.11</b>
<b>Council Tax Increase</b>				
Core Council Tax 2.99% Increase 2018/19	(2.57)	(1.89)	(1.91)	(6.37)
Social Care Levy 2% Increase 2018/19	(1.79)	(0.95)		(2.74)
<b>Overall Budget Gap</b>	<b>0.00</b>	<b>0.00</b>	<b>14.00</b>	<b>14.00</b>

- 9.2 The above table demonstrates a remaining budget gap of £14.0m in 2020/2021. However, it is noted that this position assumes that when a revised system of 75% retained business rates is implemented in 2020/2021, Government will take action to ensure a 'status quo' impact on the funding position for each council through the top-ups and tariffs system, to ensure no detrimental impact on each councils overall funding position.
- 9.3 In addition, it is noted that Indicative data released by government through to 2020 assumes Social Care Council's will apply a council tax increase in line with the referendum limit, and apply a social care levy increase in total of 6% over the three years 2017/2018 to 2019/2020. While decisions on application of these options will be made as part of the detailed budget planning on an annual basis, the application of these principles have been included at this stage, to demonstrate reduction in the overall budget gap to £14.0m by 2020/2021.
- 9.4 Further work is continuing to identify and capture additional savings to support the budget position going forward, with the aim of identifying during 2018/2019, a suite of proposals to address the medium term budget gap of £14.0m and to reduce the call on one-off resources in 2019/2020 wherever possible. Further updates will be provided to Members in due course and the Medium Term Financial Strategy 2018-2021 will be refined and updated as this work progresses.

## **10. Workforce Planning, Transformational Costs and Capital Receipts Flexibilities**

- 10.1 One-off transformational costs will arise through workforce planning arrangements in order to assist in delivering the on-going reduction proposals for 2018/2019 through to 2020/2021.
- 10.2 As part of the 2018/2019 Settlement, the Government have extended the flexibilities allowing capital receipts generated in each year through to 2021/2022 to be used to fund transformational costs incurred in those years.
- 10.3 Workforce Planning arrangements will incur circa £3.5m of transformational costs associated with reducing the workforce to deliver £5.39m of planned savings relating to 2018/2019, 2019/2020 and 2020/2021. This represents a payback period of 0.66 years. However, it is possible that an element of this cost will fall in the current financial year. In addition it is likely that additional transformational costs in excess of workforce planning may arise, for example on ICT systems or other one-off costs.
- 10.4 It is proposed to continue the approach adopted in recent years in relation to the capital receipts flexibility in order to ensure maximum flexibility in funding options available, with the capital receipts received utilised to meet workforce planning arrangements and other transformation costs arising in 2018/2019, 2019/2020 and 2020/2021.
- 10.5 In order to comply with the capital receipts flexibility requirements it is proposed to earmark capital receipts generated in 2018/2019 and 2019/2020 of £3.5m for this purpose. The council Efficiency Strategy is set out at Appendix Gi), and supports the government requirements in making use of these flexibilities. The requirements in respect of prudential indicators are reflected in the Capital Programme 2018/2019 to 2021/2022 and Treasury Management Policy and Strategy 2018/2019 report elsewhere on this agenda.
- 10.6 The position will be kept under review throughout the year as transformational costs and capital receipts generated are finalised. Final arrangements on funding transformational costs arising in each year will be considered as part of the outturn position each year, taking account of the overall corporate outturn position, available reserves, and capital receipts availability.

## **11. Medium Term Financial Position**

- 11.1 In considering the Revenue Budget for 2018/2019, the latest information regarding reductions to public spending, and estimated pressures over the medium term were taken into account and summarised in this report. This position is subject to on-going update as information emerges. The latest updated Medium Term Financial Strategy 2018/2019 to 2020/2021 is set out at Appendix G.



## **12. Budget Communication and Consultation**

- 12.1 Cabinet agreed the proposed communication arrangements in September 2017 as part of the budget planning framework. This took into account the detailed consultation that informed the MTFS 2017/2018 to 2019/2020, the outcome of which was reported to Cabinet in February 2017 and Council in March 2017.
- 12.2 Additional savings proposals set out at the September Cabinet for 2018/2019 and 2019/2020 focussed on contract reviews; business process and consumption reviews; and maximising income. This enables front line services to be protected from the requirement for further cuts and as such, a large scale consultation exercise as undertaken in previous years was not considered necessary.
- 12.3 A media release in September 2017 set out how the council proposed to meet the current budget gap, and reminded people of some of the savings that have already been made. Further media releases in January 2018 informed residents of the budget proposals that are being discussed by Cabinet and communications will continue to be produced prior to implementation of specific proposals, where considered relevant.
- 12.4 Existing networks have been utilised to communicate with a range of partners including Trades Unions, Chamber of Commerce and Sunderland Business Innovation District (BID).
- 12.5 Feedback from formal consultation with Trade Unions and Business representatives with commentary is set out at Appendix D. This has been considered in framing the final budget proposals to be submitted to Cabinet in February 2018.
- 12.6 At each stage in the budget process Scrutiny Committee is being consulted. Comments from Scrutiny Coordinating Committee on 11<sup>th</sup> January 2018 are set out at Appendix E.
- 12.7 All of the feedback from the various consultations has been considered in bringing together the budget proposals in this report.
- 12.8 A review of the 2017/2018 to 2019/2020 budget consultation arrangements will be undertaken to help inform proposed arrangements for future budget consultations. Scrutiny Coordinating committee will be engaged in this process.

### **13. Equality and the Budget Proposals**

- 13.1 The Equality Act 2010 places a specific duty on Local Authorities through the Public Sector Equality Duty. The Act requires Local Authorities to give 'due regard' to the three aims of the duty to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act; advance equality of opportunity between people who share a protected characteristic and those who do not; and to foster good relations between people who share a protected characteristic and those who do not. Understanding the effect of decisions on people with different protected characteristics is an important part of complying with the general equality duty.
- 13.2 The council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity issues into decision making processes and the assessment of proposals.
- 13.3 In accordance with the approach followed in previous years the council continues to fully consider the impact of its plans by following a robust approach to equalities analysis (this is the council's adopted approach to analysing and recording equality impacts). Each directorate has considered the equality impact of their proposals:
- For existing proposals (agreed by council in March 2017), equality analysis that support the decision making are available via the links in Appendix B. In each case the equality position has been reconsidered to ensure the position is current. Two equality analyses have been updated / completed and are available to view (ref. 5.1 and 7.1). Should there be instances where there are further significant changes, new or updated equality analysis will be completed in relation to the proposal at the appropriate time.
  - In relation to additional proposals agreed by Cabinet in September 2017, Directorates have considered whether equality is relevant to their budget proposals. The judgements are outlined at Appendix B. One proposal requires an equality analysis which can be accessed via the link within Appendix B (ref. 5.3).
- 13.4 Elected Members must review Appendix B and C, and the associated documents as having regard to them will assist members in complying with the public sector equality duty when considering the proposals. Copies have also been deposited in the Elected Members' group rooms.

Further detail on the approach to equality analyses are set out at Appendix C.

## **14. General Fund Balances and Position in Relation to Major Reserves**

- 14.1 In considering the level of general balances as part of budget preparation decisions, regard is given to:
- known commitments against balances in future years;
  - financial risks faced by the Council and the measures in place to mitigate them or meet them financially.
- 14.2 The estimated level of general balances as at 31st March 2018 and 31st March 2019 will be circulated separately at the Cabinet with the General Budget Summary Page and proposed contingencies.
- 14.3 As agreed previously savings arising in 2017/2018 from Interest on Balances and Debt Charges, corporate budgets and unutilised contingency provisions will be utilised to fund one-off spending pressures and transformational costs associated with implementing the budget proposals for 2017/2018 and 2018/2019.
- 14.4 In accordance with best practice, an analysis of the major financial risks has been undertaken in order to inform the level of balances deemed necessary. These are detailed at Appendix H.
- 14.5 The Council has a range of earmarked reserves e.g. the Strategic Investment Reserve. The major earmarked reserves are set out at Appendix li) for information.
- 14.6 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Chief Financial Officer (CFO) to report upon the robustness of the estimates and the level of reserves. In making the statement, the CFO places reliance on information provided to him by other officers of the Council as part of the budget setting process. This process involves reasonable checks and other verification, which is undertaken in accordance with the overall system of internal control to validate the information provided.
- 14.7 Based upon the information used in determining this Revenue Budget 2018/2019 report, including specifically:
- the Medium Term Financial Position set out in Appendix G;
  - the approach to budget communication and consultation;
  - the Statement of General Balances (to be tabled);
  - the Risk Analysis set out in Appendix H;
  - the Major Reserves set out in Appendix li.

The Revenue Budget is considered robust and the level of reserves considered to be adequate for 2018/2019 after an assessment of the financial risks and future plans of the Council have been taken into account. The underlying level of General Fund Balances at £10.0m to the end of 2017/2018 are in accordance with the existing policy and are considered prudent and robust given the overall level of reserves.

## **15. Detailed Budget 2018/2019**

- 15.1 As set out above since the initial budget proposals were formulated, consideration has been given to the outcome of formal budget consultation, the final settlement, the collection fund position, the council tax base, the Business Rates income and government guidance in relation to council tax levels.
- 15.2 The Total Budget Requirement to be approved by the Council is funded through:
- Revenue Support Grant
  - Retained Business Rates
  - Top Up Grant
  - Council Tax and Social Care Levy
- 15.3 The General Summary page of the Revenue Budget together with details of the proposed contingency will be circulated separately at the meeting of Cabinet on the 7th February 2018.
- 15.4 The formal decisions of the major precepting bodies are awaited regarding their precept proposals for 2018/2019. Consequently, the Proposed Council Tax for 2018/2019 will be tabled as Appendix F to this report at the Cabinet meeting on 7th February 2018.

### **General**

- 15.5 Appendix J sets out the detailed Revenue Budget 2018/2019 for each Portfolio. All changes with the exception of the adjustments relating to final considerations of the council tax level, have been incorporated into the Budget.

### **Service Reporting Code of Practice**

- 15.6 The presentation of the budget book was revised from 2017/2018 to show delegated budget only against services, rather than the full cost of services, including support service costs. Support service costs, IAS19 (Pensions) and asset charges have been appropriately distributed to each portfolio and are shown for information only at the foot of each page. This approach has been adopted to ensure the budget book fully reflects internal management responsibilities and thereby aids transparency of individual budgets. It does not, therefore, reflect external reporting requirements which will contain apportionment of support service costs.
- 15.7 It should be noted that variations between the budget for 2017/2018 and 2018/2019 have arisen as a result of:
- The implementation of spending pressures referred to in this report;
  - The implementation of the budget reductions referred to in this report;
  - Realignment between budgets and services to reflect changed operational requirements.

Members will appreciate that these changes, where applied, do not enable a valid year on year comparison, and some significant variations between years may be apparent.

### **Revised Estimates**

- 15.8 Quarterly budget reports have been presented to Cabinet during the year. The revised estimates reflect changes notified within those reports and a number of technical adjustments e.g. contingency transfers and central support cost adjustments.

### **16. Suggested Reason for Decision**

- 16.1 To comply with statutory requirements.

### **17. Alternative options to be considered and recommended to be rejected**

- 17.1 There are no alternative options recommended for approval as the budget has been developed on the basis of an agreed framework with consultation carried out throughout the process.

### **Background Papers**

Cabinet Reports 10th January 2018

- Revenue Budget 2018/2019 to 2020/2021 - Update and Provisional Revenue Support Settlement
- Council Tax Base 2018/2019

Cabinet Reports 20<sup>th</sup> September 2017

- Budget Planning Framework, Revenue Budget Proposals and Medium Term Financial Strategy 2018/2019-2020/2021

Council Reports 1<sup>st</sup> March 2017

- Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020



## Appendix A

### Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/21

#### Final Settlement 2018/2019

1. The Final Local Government Settlement for 2018/2019 was published on Tuesday 6th February 2018.
2. As part of the final settlement, Government have announced an additional £150million one-off funding nationally for Adult Social Care.

Sunderland is to receive £980,000 additional Adult Social Care Grant funding next year. Government have indicated that they expect councils to use the funding to support sustainable local care markets.

3. Given the lateness of the additional funding announcement, the one-off nature of the additional grant and that it must be used to support Adult Social Care, the additional funding will be held in contingencies pending proposals to be brought forward by the Executive Director People Services on the use of the funding.
4. The final settlement reflects the revised Top-Up Grant data previously notified to the council on 16<sup>th</sup> January following the identification an error in the government's indicative settlement information.
5. The key elements of the final local government funding for 2018/2019 for Sunderland are set out in the Core Spending Power as shown below:

Spending Power Components	Core Spending Power 2017-18		Final Core Spending Power 2018-19		Changes	
	£m	£m	£m	£m	£m	%
Council Tax Requirement excluding parish precepts		85.616		89.956	4.340	5.1%
Social Care Council Tax precept		4.247		7.212	2.965	69.8%
Settlement Funding Assessment (SFA)						
RSG	44.712		36.157		-8.555	-19.1%
Baseline Funding (Top up Grant)	40.699		42.192		1.493	3.7%
Assumed Business Rates	39.491		40.408		0.917	2.3%
		124.902		118.757	-6.145	-4.9%
Compensation for under-indexing Business Rates Multiplier		1.205		1.893	0.688	57.1%
Improved Better Care Funding		9.336		13.038	3.702	39.7%
Provisional New Homes Bonus		3.728		3.195	-0.533	-14.3%
Adult Social Care Support Grant		1.575		0.980	-0.595	-37.8%
<b>Sunderland Total Core Spending Power</b>		<b>230.609</b>		<b>235.031</b>	<b>4.422</b>	<b>1.9%</b>
<i>Memorandum - national position</i>						<i>1.9%</i>

This shows:

- The Councils Settlement Funding Assessment (SFA) level is £118.7m, a reduction of 4.9% compared to 2017/2018;
- Within SFA Revenue Support Grant (RSG) of £36.2m for 2018/2019 represents a reduction of £8.6m (19.1%) compared to 2017/2018;
- Sunderland's Total Core Spending Power will increase by 1.9% in 2018/2019 which is in line with the national average increase.

## Appendix B

### 1. Leader Proposals – Total Saving £0.577m (£0.382m 2018/2019, £0.195m 2019/2020)

#### 1.1 Previously Agreed Savings Plans - (Saving £0.382m in 2018/2019 and £0.195m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
1.2	Review of Revenue Grants provided to SMEs	0.118	0.000	0.000	0.118
1.6	Corporate Affairs and Communications Service	0.045	0.000	0.000	0.045
1.7	Review of Strategy and Partnerships	0.219	0.195	0.000	0.414
	<b>Leader Total</b>	<b>0.382</b>	<b>0.195</b>	<b>0.000</b>	<b>0.577</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)



## Appendix B (continued)

### 2. Deputy Leader Proposals – Total Saving £3.237m (£1.414m 2018/2019, £1.823m 2019/2020)

#### 2.1 Previously Agreed Savings Plans - (Saving £0.732m in 2018/2019 and £1.778m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
2.1	Review of Legal Services	0.085	0.085	0.000	0.170
2.3	Review of Corporate ICT arrangements	0.000	0.654	0.000	0.654
2.4	Cessation of contract for Intelligence Hub support	0.000	0.500	0.000	0.500
2.5	Review of Transactional Finance Arrangements including Council Tax and Business Rates rationalisation and restructure	0.024	0.024	0.000	0.048
2.6	Maximising income generation activity and undertaking a review of processes within HR&OD	0.276	0.200	0.000	0.476
2.8	Review of Business Support (Administration and PA Support service provision)	0.347	0.315	0.000	0.662
	<b>Deputy Leader Total</b>	<b>0.732</b>	<b>1.778</b>	<b>0.000</b>	<b>2.510</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)

## 2.2 Contract Reviews - Savings on Vodafone Contract arrangements – (Saving £0.100m in 2018/2019)

A new contract has been entered into with Vodafone and is now fully operational which has delivered efficiencies of £0.100m against the previous contract price.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals relate to reduced internal contract spend and, as such, would have no equality impact.	

## Appendix B (continued)

### 2.3 Contract Reviews - Review of telephone Usage – (Saving £0.172m in 2018/2019)

Renegotiation of the existing BT wide area network contract and the award of a contract for fixed telephony and support maintenance will result in a council wide reduction equating to £0.172m per annum from 2018/2019.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals relate to reduced internal contract spend and, as such, would have no equality impact.	

## 2.4 Implementation of Hybrid Mail System – (Saving £0.205m in 2018/2019 and £0.045m in 2019/2020)

The implementation of a hybrid mail system would result in a move to a consolidated and digitised mail solution across the organisation, incorporating setting business rules for both incoming and outgoing mail solutions.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals will be implemented through changes to internal procedures and new contracts freeing up internal resources but will have no impact on the public therefore a full equality analysis is not required.	

## 2.5 Business Process and Consumption Review

### Unification of generic consumables budgets – (Saving £0.075m in 2018/2019)

The unification of generic consumables budgets and management of supplies through a centralised stock will result in a saving across the council of £0.075m in 2018/2019. Consolidating the budgets, ordering and management of stock will allow for smarter procurement and control of stock which should generate the efficiencies.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals relate to internal processes and management of stock but, having no impact on front line delivery would not require full equality analysis.	

## 2.6 Reduction in printing and MFD Usage – (Saving £0.050m in 2018/2019)

A review of the usage of the MFDs will lead to a reduction in the price per click charges and the number of devices deployed across the council. A communications campaign has begun to highlight the cost of printing whilst promoting smarter ways of working which will lead to a reduction in the number of pages being printed with particular emphasis on a reduction in colour printing.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The efficiencies will be achieved through changes in working practise and will not impact on the general public therefore there is no need for an equality analysis.	

**2.7 Review of Corporate / Cross-Cutting Budgets in light of 2016/2017  
outturn Corporate Training Budget reduction – (Saving £0.050m in  
2018/2019)**

Downsizing of the Council has resulted in subsequent reduction in training requirements allowing the budgets to be reduced to more appropriate levels.

**Equality Analysis**

<b>Equality Statement</b>	<b>Status</b>
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The savings relate to removal of underspends (based on historic trends) and as such will not result in any reduction in training being provided therefore no impact on equality.	

## 2.8 Review of Corporate / Cross-Cutting Budgets in light of 2016/2017 outturn Car Mileage Budgets – (Saving £0.030m in 2018/2019)

Following the downsizing of the council workforce, budgets are able to be realigned in line with a decreased demand for car mileage.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The efficiencies will be achieved through the downsizing of the organisation, therefore no equality analysis is required.	



## Appendix B (continued)

### 3. Cabinet Secretary Proposals – Total Saving £5.769m (£3.881m 2018/2019, £1.888m 2019/2020)

#### 3.1 Previously Agreed Savings Plans - (Saving £1.981m in 2018/2019 and £1.888m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
3.1	Port - Improved trading position	0.130	0.180	0.000	0.310
3.4	Strategic Acquisitions - Increase rental income	0.275	-0.145	0.000	0.130
3.5	Property Services - Review of operational property assets	0.000	0.380	0.000	0.380
3.6	Housing Delivery Plan Implementation - Increase in new homes built, beyond current assumptions on New Homes Bonus and Council Tax	0.108	0.108	0.000	0.216
3.7	Planning - Increased income from a higher proportion of planning pre-application advice	0.045	0.030	0.000	0.075
3.8	Security Services - Rationalisation of CCTV and alarms panel monitoring.	0.030	0.000	0.000	0.030
3.9	Assurance, Procurement and Project Review - Service redesign including maximisation of self-service arrangements and a reduction in the level of support available for transformational change and service delivery.	0.128	0.023	0.000	0.151
3.10	Financial Management – Further service redesign to focus strictly on strategic legislative responsibilities and reliance on budget manager self service	0.165	0.162	0.000	0.327
3.12	Council Tax base growth and increased collection allowance	0.600	0.600	0.000	1.200
3.14	Business Rates Growth based on known and planned developments	0.500	0.550	0.000	1.050
	<b>Cabinet Secretary Total</b>	<b>1.981</b>	<b>1.888</b>	<b>0.000</b>	<b>3.869</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)

## Appendix B (continued)

### 3.2 Contract Reviews - Insurance Savings following contract renewal – (Saving £0.100m in 2018/2019)

Insurance Premium contract renewal arrangements have been completed, releasing resources of £0.100m on an annual basis.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals relate to reduced premiums for insurance policies and, as such, would have no equality impact.	

### 3.3 Contract Review - Energy Budgets – (Saving £0.500m in 2018/2019)

As a result of previous investment in energy efficiency measures and successful NEPO advance purchase arrangements, there are reduced consumption levels and less volatility to price fluctuations. This will generate efficiencies of £0.500m in relation to utilities and Carbon Reduction Commitment costs.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The proposals relate to energy efficiency and reduced price volatility and, as such, would have no equality impact.	

### 3.4 Rainton Bridge Extension – increased rental income – (Saving £0.110m in 2018/2019)

In April 2017, Cabinet agreed to the extension of the Lear Factory at Rainton Bridge. Works relating to the extension are underway and are expected to be completed by January 2018. As part of the development of the premises extension, the Council will receive £0.110m per annum increased rental income from the premises.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The saving is related to increased rental income arising from the extension of a commercial property holding of the Council and therefore has no equality implications.	

### 3.5 Pensions Deficiency Payment Budget – (Saving £0.649m in 2018/2019)

Following confirmation in March 2017 of the outcome of the 2016 actuarial review, the council has opted to pay annually in advance rather than monthly instalments releasing savings from improved treasury management returns.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The reduction has no service provision or internal workforce impact and, as such, no equality analysis is deemed necessary.	

### 3.6 Airport Loan Notes Income – (Saving £0.253m in 2018/2019)

Annual loan note interest payments agreed with NIAL (Newcastle International Airport Ltd) until 2032, therefore budgets can be realigned to reflect this level of income being received.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The efficiencies will be achieved through reflecting the on-going effect of a contractual agreement; therefore there will be no equality impact.	

### 3.7 Council Tax Base Income – (Saving £0.288m in 2018/2019)

An update to the Council Tax Income base in light of collection fund outturn position as at March 2017 and consideration of the latest forecast for housing numbers growth.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: This reduction has no service provision or internal workforce impact and, as such, no equality analysis is deemed necessary.	

## Appendix B (continued)

### 4. Children's Services Proposals – Total Saving £6.195m (£2.614m 2018/2019, £3.581m 2019/2020)

#### 4.1 Previously Agreed Savings Plans - (Saving £2.614m in 2018/2019 and £3.581m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
	<b>Children's Services</b>				
4.1	Children Looked After - Increase contributions from Health for Looked after Children	0.100	0.000	0.000	0.100
4.2	Children Looked After – Reductions in the Number of Looked after Children at an average cost of £600	0.780	1.560	0.000	2.340
4.3	Children Looked After - Phased reductions in number of external placements replaced with increased places, within Sunderland, in Semi Independent and Children's Homes	0.984	0.343	0.000	1.327
4.4	Children with Disabilities – Transfer of Sea View Road and Leisure Link to LATC and review staffing structures. Redesign the procurement of new short break contracts including Summer Schemes Quest	0.050	0.000	0.000	0.050
4.5	Review of Early Help offer, to a more targeted approach supporting children and families whilst the children remain in the care of the family. The model will be based on tiered delivery and a streamlined pathway of services	0.000	0.940	0.000	0.940
4.6	Review of School Improvement Service in light of the greater autonomy of schools and to broker effective partnerships between schools to effect school improvement	0.100	0.000	0.000	0.100
4.8	Children's Company - Review following year 2 of operation to identify opportunities for improved value for money	0.000	0.500	0.000	0.500
4.9	To maximise income from Derwent Hill in 2018/19 and in future years	0.270	0.000	0.000	0.270
*	Children's Company - reduction in back office support	0.330	0.238	0.000	0.568
	<b>Children's Services Total</b>	<b>2.614</b>	<b>3.581</b>	<b>0.000</b>	<b>6.195</b>
	* Realignment of support services targets following creation of TfC				

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)



## Appendix B (continued)

### 5. Health, Housing and Adult Services Proposals – Total Saving £6.255m (£4.781m 2018/2019, £1.331m 2019/2020 and £0.143m 2020/2021)

#### 5.1 Previously Agreed Savings Plans - (Saving £4.481m in 2018/2019, £1.331m in 2019/2020 and £0.143m in 2020/2021)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
5.6	Long Term Care (integrated) Reduction in Residential & Nursing Home Placements	1.125	1.064	0.000	2.189
5.7	Long Term Care (integrated) Move to Locality based budgeting	0.712	0.000	0.000	0.712
5.8	Long Term Care (integrated) Review of non-intensive home support care packages	0.125	0.125	0.000	0.250
5.10	Long Term Care (integrated) Review of Home support Arrangements	0.500	0.000	0.000	0.500
5.13	Access and Assessment Implementation of a new case management system	0.200	0.000	0.000	0.200
5.14	Early Help Adult Social Care - Early Help (First Point of Contact): to implement a system of first contact which reduces the number of "failed" contacts to the Council by earlier signposting to VCS and partners, ensuring a swifter response for customers who received no on-going service.	0.108	0.000	0.000	0.108
5.16	Commissioning & Market Design Extra Care Schemes - rationalisation of costs	0.250	0.000	0.000	0.250
5.17	Housing & Community Living Housing Related Support - to cease the current approach to the delivery of Housing Related Support Services at the conclusion of the current commissioned services in June 2017	0.508	0.000	0.000	0.508
5.18	Housing & Community Living The development of a new approach to tackle Anti-Social Behaviour	0.109	0.000	0.000	0.109
5.21	Commissioning & Market Design Review of Care Act 2014 Contributions Policy	0.437	0.000	0.000	0.437
5.22	Commissioning & Market Design Introduction of pre-payment cards for Direct Payment users	0.037	0.000	0.000	0.037
5.90	Long Term Care (integrated) SCAS Increase Telecare Charges	0.370	0.142	0.143	0.655
	<b>Health, Housing and Adult Services Total</b>	<b>4.481</b>	<b>1.331</b>	<b>0.143</b>	<b>5.955</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)

Updated equality information as presented to September 2017 cabinet can be found at: [Updated Equality Analysis](#)

## 5.2 Contract Reviews - Review of adult social care block Home Support contract – (Saving £0.050m in 2018/2019)

Review of Adult Social Care current contract arrangements to ensure commissioning is not taking place outside of existing contracts which are fixed price. Work is also underway to look at aspects of home care that could be better delivered on a block contract basis such as core and cluster schemes and services to support hospital discharge.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: This work is covered in earlier wider equality analysis. An equality analysis was completed at the point the Directorate tendered for the home support contract which was designed to minimise the risk of using non-contracted home care providers. This review of the Adult Social Care contract arrangements will ensure commissioning is not taking place outside of existing contracts which are fixed price. Work is also underway to look at aspects of home care that could be better delivered on a block contract basis such as core and cluster schemes and services to support hospital discharge and this work will be taken forward under the current contractual frameworks that are already in place.	

### 5.3 Review of assessed direct payments – (Saving £0.050m in 2018/2019)

The directorate is implementing a 12 week review for direct payment customers. Customer analysis has shown that a number of people do not utilise their full personal budget after a period of intensive social care support. This reflects the success of a reablement approach. The new business process will reflect this customer behaviour and realise revenue savings.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	✓
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	
Additional Comment: The introduction of pre-paid cards validations will make the direct payment scheme easier to manage and reduce the requirements on the recipient.	

The equality analysis for this proposal, as presented to September cabinet can be found here: [September Cabinet - new equality analysis](#)

#### 5.4 Income Recovery arrangements within People Services – (Saving £0.200m in 2018/2019)

New processes are being put in place to more accurately predict the level of client income for home care and residential care. Alongside this the Welfare Benefits team are also calculating the income implications of benefit uplifts, this will not result in customers being worse off in real terms but will increase income levels. The revised business processes are facilitated by the implementation of the Liquid Logic system for Adult Social Care.

#### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
Additional Comment: The savings arise from the implementation of a new case management system for adult social care (Liquid Logic) which will enhance the council's effectiveness in collecting client income by automating existing manual process. Alongside this, national changes to welfare benefits and increases in the number of people eligible to contribute to their care costs will also provide further revenue.	

## Appendix B (continued)

### 6. Public Health, Wellness and Culture Proposals – Total Saving £1.339m (£0.435m 2018/2019, £0.904m 2019/2020)

#### 6.1 Previously Agreed Savings Plans - (Saving £0.435m in 2018/2019 and £0.904m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
6.1	Culture Continue to develop a Cultural Offer for the City	0.435	0.407	0.000	0.842
6.1	Activities and Events Planned reduction in council contribution as part of Leisure JV arrangements	0.000	0.497	0.000	0.497
	<b>Public Health, Wellness and Culture Total</b>	<b>0.435</b>	<b>0.904</b>	<b>0.000</b>	<b>1.339</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)

## Appendix B (continued)

### 7. City Services Proposals – Total Saving £5.573m (£2.620m 2018/2019, £2.653m 2019/2020 and £0.300m 2020/2021)

#### 7.1 Previously Agreed Savings Plans - (Saving £2.274m in 2018/2019 and £2.084m in 2019/2020)

Council Report 01/03/2017 Appendix B ref	Proposal	2018/19	2019/20	2020/21	Total
	<b>City Services</b>				
7.1	Place Management - Commercial Growth via wider trading opportunities	0.150	0.155	0.000	0.305
7.2	Place Shaping - Commercial Growth via wider trading opportunities	0.100	0.100	0.000	0.200
7.3	Bereavement Services - Annual increase in charges	0.250	0.250	0.000	0.500
7.4	Registrars - Review of staffing and annual fee increase	0.050	0.050	0.000	0.100
7.5	Highways Maintenance - Revised responsive maintenance. Recovery of costs in relation to road traffic accidents	0.150	0.150	0.000	0.300
7.6	Fleet - Reduction in vehicle numbers due to service downsizing	0.200	0.000	0.000	0.200
7.8	Alternative Weekly Waste & Recycling Collection	0.150	0.000	0.000	0.150
7.9	Waste Management - Annual increase in charges - bulky item and green waste collection	0.110	0.110	0.000	0.220
7.11	Pest Control - Review of service and charges	0.033	0.005	0.000	0.038
7.12	Local Services - Creation of a Trust Model for management of sports pitches and bowling greens	0.000	0.359	0.000	0.359
7.13	Building Services - Review of operational and system processes	0.020	0.000	0.000	0.020
7.14	Highways and Infrastructure - increased income from design activity and permits	0.225	0.150	0.000	0.375
7.15	Place Strategic Commissioning - Delivery of services via outsourcing	0.125	0.375	0.000	0.500
7.16	Parking Services - Income generation from expansion of measures in the Parking Plan	0.236	0.200	0.000	0.436
7.17	Street Lighting - Phase 2 of LED replacements	0.250	0.000	0.000	0.250
7.18	Public Protection and Regulatory Services - Review and integration of functions	0.090	0.095	0.000	0.185
7.19	Waste Disposal - Reduction in costs by encouraging increased recycling	0.085	0.085	0.000	0.170
7.20	Waste Disposal - Review of PFI Contract	0.050	0.000	0.000	0.050
	<b>City Services Total</b>	<b>2.274</b>	<b>2.084</b>	<b>0.000</b>	<b>4.358</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)

Updated equality information as in relation to 7.12 can be found at: [Supplementary information - updated equality analysis](#)

## 7.2 Street Lighting LED Phase 2 Energy Cost Savings – (Saving £0.346m in 2018/2019, £0.569m in 2019/2020 and £0.300m in 2020/2021)

A programme of changing conventional lighting to LEDs in residential areas to reduce energy costs started in 2015/16 and resulting savings are already accounted for. It is proposed to expand this approach with a further 24,513 lamps of varying energy consumption to be converted to LED lamps. The majority, over 20,000, are units currently burning between 100W and 250W of energy and the proposed replacements would burn at between 50W and 100W without detriment to required lighting levels. The replacement of these lamps will provide significant savings on utility costs through lower energy usage.

### Equality Analysis

Equality Statement	Status
Equality analysis is complete and a positive impact has been identified	
Equality analysis is planned and a positive impact is anticipated	
Equality analysis is complete and neutral impact has been identified	
Equality analysis is planned and a neutral impact is anticipated	
Equality analysis is complete and a negative impact has been identified	
Equality analysis is planned and a negative impact is anticipated	
Equality analysis is complete and both positive and negative impacts have been identified	
Equality analysis is planned and both positive and negative impacts are anticipated	
The saving is from staffing changes and therefore workforce equality implications will be considered as part of the redundancy consultation for this service area	
No equality analysis required	✓
<p>Additional Comment:</p> <p>The proposal is to replace approximately 48,000 lighting columns in total on highways with energy efficient LED lighting (24,513 for implementation in 2018/19) which will result in lower energy costs and lower carbon emissions. Residents and visitors to areas where the new lighting is installed should be impacted upon positively as the new LED lighting actually provides a white light source with better night-time colour recognition and concentrates the light onto the road and footway where it is needed, with less light pollution into homes and gardens.</p> <p>Equality analyses were completed at both the pilot phase (published with 2016/17 MTFS papers and phase 1 published with 2017/18 MTFS papers). No disproportionate impacts for any groups were identified in the last equality analysis, which reviewed feedback from the pilot scheme. Feedback from Phase 1 has been very positive in relation to the impact and effect that the scheme has had in concentrating a better quality of light onto the road and footway. Based upon previous equality analysis and the feedback received to date it has been decided that there is no requirement to undertake further equality analysis in relation to this initiative.</p>	

## Appendix B (continued)

### 8. Responsive Services and Customer Care Proposals – Total Saving £0.947m (£0.479m 2018/2019, £0.468m 2019/2020)

#### 8.1 Previously Agreed Savings Plans - (Saving £0.479m in 2018/2019 and £0.468m in 2019/2020)

Ref.	Proposal	2018/19	2019/20	2020/21	Total
	<b>Responsive Services and Customer Care</b>				
8.1	Member Services including Elections – A further review of service provision	0.302	0.350	0.000	0.652
8.2	Customer Services Network – Review of service arrangements	0.177	0.118	0.000	0.295
	<b>Responsive Services and Customer Care Total</b>	<b>0.479</b>	<b>0.468</b>	<b>0.000</b>	<b>0.947</b>

Further detail in relation to the above previously agreed savings plans can be found within Appendix B of item 6 of the Council agenda for the 1<sup>st</sup> of March 2017, using the reference in the table above. This can be found at:

[Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)

Further equality information, where applicable, can be found at: [Supplementary Equality Information](#)



## EQUALITY AND THE BUDGET PROPOSALS

### 1 Equality in Decision Making

- 1.1 The Equality Act 2010 places a specific duty on Local Authorities through the Public Sector Equality Duty. The three aims of the equality duty are to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
- 1.2 Public authorities are required to give 'due regard' to the three aims of the duty when making decisions. Understanding the effect of decisions on people with different protected characteristics is an important part of complying with the general equality duty. Due regard means:
- Consider the need to remove or minimise disadvantage or to meet particular needs.
  - Think about how to encourage participation in public life.
  - Tackle prejudice and promote understanding.

### 2 How equality analysis has fed into the budget-setting process

- 2.1 Each Directorate has considered the equality impact of their proposals. Where it is timely and appropriate an equality analysis has been completed (the Council adopted approach to analyse and record equality impacts). The detail of the analysis is dependent on the nature of the proposal and its stage of development. For existing proposals (agreed in March 2017) Equality Analysis that supported decision-making are available within the links at Appendix B. In each case the equality position has been reconsidered to ensure the position is current and any planned equality analyses have been completed if appropriate. One equality analysis (5.1, sub reference 5.8) has been reviewed and one has been completed (in relation to one element of 7.12) and these are available to view.
- 2.2 One new proposal (5.3) has a completed equality analysis with the remaining new proposals not requiring one. Appendix B outlines the judgements in relation to whether equality analyses are required. All three of newly completed and reviewed equality analyses identify positive impacts. 5.1, sub reference 5.8 also identifies some negative impacts for disabled people. The overall position in relation to equality is similar to the conclusions drawn last year. The equality analyses are available to view at the links within Appendix B and the conclusions from last year can be viewed at:
- [Revenue Budget and Proposed Council Tax for 2017/2018 and Medium Term Financial Strategy 2017/2018 to 2019/2020](#)
- 2.3 Finalised Equality Analyses continue to be sampled as part of a quality assurance process to ensure the relevant considerations are being made in a thorough manner.

**3 Consultation and communication**

- 3.1 The consultation and communication approach is outlined at section 12 of the main report. Surveys carried out in 2016 to inform the 2017/2018 to 2019/2020 proposals collected demographic data that was analysed to help inform equality considerations where possible. Communications for the past consultation processes were focussed on a range of groups and communities in order to maximise involvement.

**4. Conclusions**

- 4.1 The Council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity considerations into decision making processes and the assessment of proposals.
- 4.2 Services and Directorates are responsible for updating their equality analyses, continuing to assess how any identified impacts can be mitigated during the development of the detailed proposals and ensuring these considerations are presented to decision makers.

**Notes of the Budget Consultation meeting between representatives of the Council and the Chamber of Commerce held at Sunderland Civic Centre on Friday 12<sup>th</sup> January 2018 at 11.00am.**

**Present:**

**Council Representatives**

Cllr Henry Trueman	-	Deputy Leader of the Council
Cllr Mel Speding	-	Cabinet Secretary
Irene Lucas	-	Chief Executive
Barry Scarr	-	Executive Director of Corporate Services
Fiona Brown	-	Executive Director of People
Peter McIntyre	-	Executive Director of Economy & Place
Les Clark	-	Chief Operating Officer – Place
John Rawling	-	Head of HR & OD

**Chamber of Commerce Representatives**

Jonathan Walker	-	NECC – Head of Policy & Campaigns
Natasha McDonough	-	MMC Ltd
Ralph Saelzer	-	Liebherr
Ernie Johnson	-	North East Vending
Ed Tutty	-	Ed Tutty Communications
John Walker	-	Gentoo

The Deputy Leader of the Council, Cllr Henry Trueman welcomed the representatives from the North East Chambers of Commerce, thanked them for their attendance and asked for each individual to introduce themselves. The Chief Executive, Irene Lucas (IL) proceeded to identify the priorities of Sunderland City Council going forward

- Adult Social Care & Looked after Children; under pressure and looking at different ways to deliver to meet demand.
- Work around Place; projects such as The Bridge, IAMP, Housing Programme and enhancement of the A19 Scheme.
- City Council; looking at every single line and service we deliver to drive out costs and replenish funding in some areas where it was lacking before.

The Director of Corporate Services, Barry Scarr (BS) outlined the current position with regard to the Council's revenue budget for 2018/19 and the Medium Term Financial Strategy to 2020/21 and then gave a brief overview of the proposed savings plans regarding contract reviews that are currently being consulted on.

BS concluded his presentation and invited questions and comments from the floor.

### Questions

- 1 Jonathan Walker (JW) of NECC asked what opportunities will there be with Brexit for next year and how local businesses and the Council can work together.

IL mentioned that she takes pride in working with local businesses and would welcome further discussions regarding Brexit. IL indicated that she did not have all the information to see what the agenda will be with Brexit and it was agreed that a future session to be arranged to info share.

- 2 Ed Tutty (ET) of Tutty Communications asked due to austerity what opportunities are around if the budget decreases to fund projects like IAMP.

IL mentioned that there are opportunities and gave an example of the current Council building and she mentioned that it has been commissioned to see how the site can be regenerated as the building is no longer beneficial.

IL advised that Peter McIntyre (PMc), Executive Director of Economy and Place has been speaking with leading investors and PMc gave further information. IL also indicated that out of £48m of funding obtained for regeneration, £42.5m went into IAMP.

- 3 Ernie Johnson (EJ) of NE Vending praised the Council for its superb Welfare System and briefed on his experience.

IL mentioned that Fiona Brown (FB), Director of People and her team were working well to support the community and explained the type of work being carried out including work on benefits.

- 4 Cllr Henry Trueman mentioned that the devolution deal is up for debate and Northumberland are leading on the consultation. He welcomed NECC members to contribute to the debate and feedback on Sunderland. He mentioned that there is still a lot of work to do and himself and Cllr Mel Speding, Cabinet Secretary are working together.

JW commented that invitations were going out to businesses to hold a consultation and he indicated that businesses want to know what happens next and what conversations will there be between Sunderland and other local authorities.

- 5 Natasha McDonough (NMc) of MMC Ltd praised the assistance received from the Council's Business and Investment Team and was discussed further. Cllr Mel Speding indicated that the Business and Investment Team was integral part of investment and economy of the City and it was agreed the importance of businesses having opportunities.

**Notes of the Budget Consultation meeting between representatives of the Council and the Trade Unions held at Sunderland Civic Centre on Friday 12<sup>th</sup> January 2018 at 10.00am.**

**Present:**

**Council Representatives**

Cllr Henry Trueman	-	Deputy Leader of the Council
Cllr Mel Speding	-	Cabinet Secretary
Irene Lucas	-	Chief Executive
Barry Scarr	-	Executive Director of Corporate Services
Fiona Brown	-	Executive Director of People
Peter McIntyre	-	Executive Director of Economy & Place
Les Clark	-	Chief Operating Officer – Place
John Rawling	-	Head of HR & OD

**Trade Union Representatives**

Diane Peacock	-	Unison
Conor McCardle	-	Unison
George Pearson	-	Unison
David Riddle	-	GMB
Keir Howe	-	GMB
Graham Avery	-	GMB
Cllr Kevin Johnston	-	Unite
Liz Gale	-	NUT

The Chief Executive, Irene Lucas (IL) welcomed the representatives from the Trade Unions and thanked them for their attendance and proceeded to update the meeting on the work which has been on-going and identify the priorities of Sunderland City Council going forward:

- Consolidated a number of projects in Place such as The Bridge, IAMP, Housing Programme and Enhancement of the A19 Scheme.
- City Council focus on performance overall. Performance information can be accessed quarterly from Paul Davies. IL to carry out a presentation at the end of the year.
- Re-negotiated a number of contracts to reduce costs and become more commercial.
- People and Children pressures have increased and Executive Director of People, Fiona Brown (FB) introducing efficiency targets.

Before the Director of Corporate Services, Barry Scarr (BS) gave his presentation, Cllr Henry Trueman, Deputy Leader of the Council asked for each individual to introduce themselves.

## **Appendix D Continued**

BS outlined the current position with regard to the Council's revenue budget for 2018/19 and the Medium Term Financial Strategy to 2020/21 and then gave a brief overview of the proposed savings plans currently being consulted on.

BS concluded his presentation and invited questions and comments from the floor.

### **Questions**

- 1 Connor McCardle (CMc) from Unison enquired if the extra £4m for Together for Children (TfC) is a one off payment or will it be an annual payment.

It was confirmed that it will be an annual payment.

- 2 CMc asked if the pay award was funded for TfC employees.

It was confirmed that it is covered in the base budget.

- 3 CMc enquired what the long term intentions are for TfC.

FB confirmed that it is a 10 year contract.

- 4 CMc enquired if there is an update on commissioning on Place Services.

LC confirmed that the TU's would be invited to a briefing very shortly.

- 5 CMc enquired why Tall Ships had been allocated additional £2m and none for Adult Social Care.

FB confirmed that an additional £7m has been allocated to Adult Social Care, to then be reduced to £4m and then reduced to £2m over the next 3 years.

FB mentioned that work relating to Tall Ships had gone out for tendering to deal with things such as dredging and awaiting feedback. Cllr Mel Speding, Cabinet Secretary emphasised the benefits to local businesses when awarded such an event as the Tall Ships and it is predicated 1.5 million visitors.

## Scrutiny Coordinating Committee Consultation on the Budget 2018/2019

### Comments of Scrutiny Coordinating Committee

#### 1 Scrutiny Coordinating Committee 12<sup>th</sup> October 2017

In relation to the reference from Cabinet of 20th September, 2017 – Report on the Budget Planning Framework, Revenue Budget Proposals and Medium Term Financial Strategy 2018/2019 - 2020/2021:

*The Scrutiny Coordinating Committee acknowledges the continued difficult financial pressures and constraints that the Council must operate within, despite many uncertainties still remaining, the Committee is satisfied with the information provided as well as acknowledging the hard work and dedication of everyone involved in the budget planning process and has no additional comment to make*

#### 2 Scrutiny Coordinating Committee 11<sup>th</sup> January 2018

In relation to the reference from Cabinet of 10<sup>th</sup> January 2018 – Report on the Revenue Budget 2018/2019 to 2020/21 - Update and Provisional Revenue Support Settlement:

*The Scrutiny Coordinating Committee acknowledges the challenging financial situation that the Council continues to operate within and is satisfied with the content of the report presented. The Committee would like, at this point to, also acknowledge the continued work and commitment of Members and Officers in developing proposals for a balanced budget under such difficult financial constraints.*

**Proposed Council Tax for 2018/2019**

*As detailed in the Council Report – Determination of Council Tax 2018/2019*



## Medium Term Financial Strategy 2018/2019 – 2020/2021

### Report of the Executive Director of Corporate Services

#### 1 Purpose of the MTFS

- 1.1 The MTFS is a key part of the Council's Budget Policy framework. It aims to ensure that significantly reduced resources are aligned to ensure that the residents of Sunderland are offered the best possible public services in future. The current MTFS sets out the strategic financial position and financial direction of the Council over the next three years taking into account council policy objectives, government funding levels, other resources and service pressures. It is regularly updated to reflect the dynamic changes in local government finance. The MTFS is currently over a three year period. The key objectives of the strategy are:

- To ensure the continued strong financial resilience of the authority;
- To identify and draw together strands of activity that will meet the reductions requirement;
- To continue to facilitate investment in regeneration activity and key priorities and alternative forms of service delivery.

This summary draws out the current financial position and underpinning strategies and actions being followed to address the budget challenge. The MTFS is underpinned by the Efficiency Strategy set out as Appendix Gi.

- 1.2 While the following MTFS has been updated to reflect the indicative data up to 2019/2020 released by Government as part of the 2018/2019 Settlement, there is considerable uncertainty over the impact of the Fair Funding Review and moving to 75% Business Rates retention in 2020/2021. The strategy will be kept under review and updated as further details emerge.
- 1.3 The Medium Term Financial Strategy provides background planning assumptions covering:
- National funding outlook (section 2)
  - Local funding position (section 3)
    - Government funding (section 3.1 - 3.5)
    - Locally raised income - Council Tax and Business Rates (section 3.6)
  - Spending pressures and commitments (section 4)
  - Summary overall budget gap (section 5)
  - Addressing the budget gap and Efficiency Strategy (section 6)
  - Capital and prudential borrowing (section 7)
  - Reserves and balances, and Reserves Policy (section 8)
  - Budget consultation and equality analysis (section 9)
  - Risk assessment (section 10)
  - Conclusion (section 11).

**2 National Funding Outlook**

- 2.1 The Chancellor delivered his Budget Statement on 22<sup>nd</sup> November 2017.
- 2.2 Included within the 2016 budget was the requirement of government to make additional £3.5bn efficiencies in 2019/2020. Commentary within the detailed budget papers suggests that although an element of this saving has been identified, spending and administrative pressures faced by departments mean the government will not proceed with the remaining efficiency gap. This is good news for local government who could potentially have been impacted upon by these reductions.
- 2.3 Disappointingly there was only very limited additional funding announced to address the difficulties being felt by Local Government in relation to either adult or children's social care. While the budget included for £42m nationally for Disabled Facilities grant funding, this equates to only circa £0.258m additional funding for Sunderland in 2017/2018.
- 2.4 There is to be no additional funding provided for any pay awards in excess of 1% for Local Government.
- 2.5 The Chancellor announced that annual increases in Business Rates would now be linked to CPI rather than RPI and the detailed papers confirmed that Local Authorities will be fully compensated via a section 31 grant.
- 2.6 In relation to Health service pressures, the Government committed to an additional £10bn capital investment in frontline services over the course of the Parliament to support STPs. Outside of the Spending Review process, the Chancellor indicated an additional £2.8bn for the NHS for day-to-day services is to be made available. There will be £335m to be made immediately available for 2017/2018 'winter pressures', with £1.6bn available in 2018/2019 and the remainder in 2019/2021.
- 2.7 Housing and infrastructure was a significant focus of the budget, with capital funding aimed at supporting the housing market to deliver 300,000 homes per year by the mid 2020's and an aim to eliminate rough sleeping by 2027. It remains to be seen the impact this funding will have on areas such as Sunderland.

**2.8 Economic Outlook**

- 2.8.1 The Bank of England's (BoE) Monetary Policy Committee (MPC) voted at its 2nd November 2017 meeting to increase the Bank Rate by 0.25% to 0.50%, the first increase since July 2007. The MPC also gave forward guidance that they expected to increase Bank Rates very gradually and to a limited extent twice more in the next three years to reach 1.0% by 2020.
- 2.8.2 Separately, the November 2017 Quarterly Inflation Report was notably downbeat about economic growth, with the trend rate having slowed from 2.2% to 1.5%. CPI inflation is expected to peak at 3.0% before falling to 2.1% in the last quarter of 2020. This pessimistic outlook was further reflected in the Chancellor's Autumn Budget on 22nd November with GDP growth forecasts revised down since the March 2017 Budget to 1.5% in 2017, 1.4% in 2018 and 1.3% in 2019 (from 2.0%, 1.6% and 1.7%).
- 2.8.3 Although the UK deficit has fallen over the last seven years, debt and borrowing remain high. Following the EU Referendum the Chancellor scaled back the timing and pace of deficit elimination to as early as possible in the next Parliament. Forecasts for Public sector net borrowing were again increased in the Autumn Budget with borrowing of £34.7bn predicted for 2019/2020 (previously £21.4bn), highlighting the predicted impact of lower economic growth on tax revenues.
- 2.8.4 The MPC, having previously expressed concern over the apparent lack of significant progress in Brexit negotiations sounded more optimistic in December 2017, noting that recent progress in negotiations had reduced the likelihood of a disorderly exit from the EU. However, developments regarding the UK withdrawal from the EU remain the most significant influence on, and source of uncertainty about, the economic outlook.
- 2.8.5 Economic and interest rate forecasting remains difficult, with Brexit and many other external influences weighing on the UK and will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.
- 2.8.6 Despite the outcome of the EU referendum in June 2016, further calls for projects have been issued under the European Structural and Investment Fund (ESIF) programme. The European Regional Development Fund (ERDF) programme for the NELEP area has committed a large amount of its funds to projects that will run until 2020 and in some cases through to 2022/23.
- 2.8.7 While a large proportion of the ERDF allocation to the NELEP area is contractually committed or indicatively allocated, approximately £100m of European Social Fund (ESF) grant remains to be committed.
- 2.8.8 In December 2017, the EU and the UK Government agreed that the EU Structural Funds will continue to operate as normal in the UK up until the end of 2020.
- 2.8.9 Opportunities to access EU funding programmes will therefore continue for the next 2-3 years until the remaining funds are fully committed.

### 3 Local Funding Position

#### 3.1 Core Spending Power

##### 3.1.1 This measure includes:

- Settlement Funding Assessment (SFA) comprising Revenue Support Grant (RSG), Retained Business Rates; and Top Up Grant;
- Compensation for the under-indexing of the Business Rates Multiplier;
- New Homes Bonus;
- Local Government share of the Improved Better Care Fund;
- Council Tax Income - Government figures assume CPI increases and an assumed 6% increase in the precept to support social care over the three years 2017/2018 and 2019/2020.

3.1.2 In December 2017, as part of the Provisional Local Government Finance Settlement 2018/2019, the government provided details of their assumptions on Core Spending power for the 2 years covering 2018/2019 to 2019/2020. The detail for Sunderland is set out below.

Sunderland Core Spending Power	2015/16 £ m	2016/17 £ m	2017/18 £ m	2018/19 £ m	2019/20 £ m
Settlement Funding Assessment (SFA)	150.7	135.8	124.9	118.6	111.9
Compensation for under-indexing the business rates multiplier (Section 31 Grant)	1.1	1.1	1.0	1.7	2.6
Council Tax of which;					
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	78.3	81.7	85.6	90.0	94.5
<i>additional revenue from referendum principle for social care</i>	0.0	1.6	4.2	7.2	7.6
Improved Better Care Fund	0.0	0.0	9.3	13.0	16.6
New Homes Bonus	3.4	4.6	3.7	3.2	2.9
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	0.0	0.0	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	1.6	0.0	0.0
<b>Sunderland Total Core Spending Power</b>	<b>233.5</b>	<b>224.8</b>	<b>230.3</b>	<b>233.7</b>	<b>236.1</b>

Change over the Spending Review Period (£ millions) 2.6

Change over the Spending Review Period (% change) 1.1%

Memorandum - National Change Over Spending Review Period 2.1%

SFA can be analysed as follows	2017/18 £'m	2018/19 £'m	2019/20 £'m	change from 2017/18 to 2019/20	
				£'m	%
Top up grant	40.699	42.059	42.992	2.293	5.6%
Business Rate Share - Government assumed	39.491	40.425	41.449	1.958	5.0%
Revenue Support Grant	44.712	36.157	27.507	-17.205	-38.5%
<b>Total</b>	<b>124.902</b>	<b>118.641</b>	<b>111.948</b>	<b>-12.954</b>	<b>-10.4%</b>

Memorandum: National Position

-18.70%

## Appendix G (continued)

3.1.3 This is the third year of the four year settlement offer for the period to 2019/2020. The council is one of 97% of councils to have accepted the four year settlement offer which provides a guaranteed minimum Revenue Support Grant envelope through to 2019/2020.

3.1.4 While the Government have published their assumptions through to 2019/2020, the following is noted:

- Core Spending Power will increase by 1.1% over the spending review period (2015/2016 to 2019/2020) period which is lower than the national average increase of 2.1%. This reflects the inability for councils with low council tax bases such as Sunderland to raise significant additional income from council tax.
- Within Core Spending Power, Sunderland's Settlement Funding Assessment will reduce by 10.4% (£13m in cash terms) over the period 2017/2018 to 2019/2020 compared to a national average reduction of 18.7%. While the government has made some improvements to the fairness of the funding formula (evidenced by the fact the Council will incur lower cuts in SFA than the national average), once local resources are also taken into account (Core Spending Power) then the more deprived areas with lower local resources lose out disproportionately from the current funding system over the Spending Review period.
- Within the Settlement Funding Assessment, the amount of Revenue Support grant to be received by Sunderland is reducing by 38.5% over the two years from 2017/2018 to 2019/2020 compared to a national average reduction over the period of 39.9%.
- Government figures include an assumption that the council will increase council tax in line with the referendum limit and adopt the social care levy in full over the three years.

3.1.5 Figures beyond 2019/2020 have not been published by Government, although they have confirmed their intention to implement the impact of the Fair Funding Review and the move to 75% Retained Business Rates in 2020/2021.

### 3.2 Top Up Grant / Tariff

A system of Top Up grant and Tariffs allows locally retained Business Rates to be redistributed from high business yield authorities to low yield authorities.

Sunderland is a Top Up council, receiving £42.059m in 2018/2019. Top Up grant is increased annually by inflation.

The Government has indicated that a system of Top up and Tariffs will continue following the Business Rates Review in order to ensure a degree of equalisation in the allocation of resources across councils. The outcome of this will be critical for Sunderland in understanding its future funding.

### 3.3 Section 31 Grant - Business Rates

The government placed a cap on the annual increase in Business Rates at 2% in both 2014/2015 and 2015/2016, and has continued with the doubling up of Small Business Rates Relief, with reimbursement to councils for the consequential shortfall in income through a section 31 grant.

In addition as part of the Budget Statement, the Chancellor announced that annual increases in Business Rates would now be linked to CPI rather than RPI and that Local Authorities will be fully compensated via a section 31 grant.

The indicative settlement includes for £1.7m section 31 grant in 2018/2019, although the actual amount received is dependent on information submitted through the NNDR1 form.

### 3.4 Other Core Grant and Revenue Funding

#### 3.4.1 Improved Better Care Fund

The allocations within the 2018/2019 settlement include the additional one-off IBCF social care allocations which tapers over the three year period. The total IBCF allocations for 2017/2018 to 2019/2020 are:

	Total in year	Increase
• 2017/2018	£9.3m	£9.3m
• 2018/2019	£13.0m	£3.7m
• 2019/2020	£16.6m	£3.6m

Included within the above allocations are the additional one-off / tapering IBCF social care allocations announced by the Government in March 2017 as follows:

• 2017/2018	£7.534m
• 2018/2019	£4.493m
• 2019/2020	£2.220m

This element of IBCF funding can be used solely for adult social care purposes and be for additional purposes to existing plans. As such the funding is assumed to have a nil net impact for overall council budget planning purposes as additional plans are brought forward to utilise the funds. Proposals for the use of the additional IBCF funds were included in the 2017-2019 Better Care Fund submission approved by the Health and Wellbeing Board in November 2017.

Government have indicated Delayed Transfers of Care (DTOC) will be closely scrutinised and have indicated the potential to reduce 2018/2019 IBCF funding for poor performing areas. Following a review undertaken by the Department of Health, the Council was notified on 6<sup>th</sup> December that there will be no change to, or impact on, Sunderland's 2018-19 IBCF allocation.

**3.4.2 New Homes Bonus**

The council's indicative new homes bonus will reduce from the £3.7m received in 2017/2018 to the following allocations:

- 2018/2019 £3.2m
- 2019/2020 £2.9m

Attainment of these grant allocations will be dependent on actual housing growth within Sunderland over the period. Although housing numbers in Sunderland are increasing, the amount of grant received is reducing due to changes in the way that government allocates the grant.

**3.4.3 Public Health Grant**

The Public Health Grant for 2018/2019 has been confirmed at £23.386m with £22.768m for 2019/2020. The MTFS reflects year on year reduction in funding. This position will need to be kept under review.

The Government has also confirmed the intention that Public Health Grant will be incorporated into the 75% Retained Business Rates arrangements from 2020/2021.

**3.4.4 Pooled Better Care Fund**

Pooled Better Care Fund continues to be included in Health allocations. For the purposes of medium term planning no changes are assumed to the level of available pooled Better Care funding, with the funding ringfenced for the purposes of Health and Social Care commitments.

**3.4.5 Housing and Council Tax Benefit Administration and Local Council Tax Support Administration Grant**

There have been no announcements on future funding levels, however provision for a further reduction in funding of 10% per annum has been included within the MTFS in line with reductions experienced in recent years. Given other reductions arising from welfare reform there is a potential that the reduction could be more than this. The position will be kept under review and the MTFS updated as more details emerge.

**3.5 Schools Funding**

The Secretary of State for Education have confirmed the future arrangements for school funding:

- The dedicated schools grant for LAs will be allocated in 4 blocks (schools, high needs, early years and central schools services). Each will be calculated on the basis of a different national formula.
- It remains DfE long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' formula). To ensure some transitional stability, LAs will continue to set a local formula for schools in 2018/2019 and 2019/2020.

## Appendix G (continued)

Cabinet agreed in January to the principles proposed by the Sunderland Schools Forum for the 2018/2019 Sunderland local funding formula. The National funding formula is to be implemented with the following local adjustments to protect Sunderland schools in the initial years:

- The new Free School Meal Indicator will not be used in the Sunderland Formula to support the following protection to all schools.
- Sunderland Lump Sum value of £150,000 will remain.
- Minimum Funding Guarantee to be implemented at 0.087%. This will limit the reduction in per pupil funding in 2018/2019.

These principles will be used to finalise the local formula.

### 3.6 Locally Raised Income

#### 3.6.1 Council Tax

- In the 2018/2019 provisional settlement the Government announced a referendum threshold for 2018/2019 linked to CPI at 2.99%. In addition Social Care councils are able to levy a social care precept.
- The Adult Social Care precept has an overall limit of a 6% increase across the three years to 2019/2020, with no one year to exceed 3%. Sunderland raised the Social Care precept by 3% in 2017/2018 and proposes to raise the precept by 2% in 2018/2019, leaving a further 1% potentially to be raised for 2019/2020.

Indicative data released by government through to 2020 assumes Social Care Council's will apply a council tax increase in line with the referendum limit and apply the social care levy. Decisions on application of these options will be made as part of the detailed budget planning on an annual basis.

#### 3.6.2 Local Council Tax Support Scheme

The current council tax support scheme was introduced in 2013/2014, with only minor changes since that time. The scheme supports council tax payers in need of financial help. The main feature of the current scheme is that working age people who receive help pay a minimum of 8.5% of their council tax bill. The scheme will be subject to review to ensure its continued appropriateness in the current economic climate.

##### 3.6.2.1 Current funding mechanism

Under the current funding mechanism, the expected local income from business rates is divided between the central and local share:

- 50% of business rates are paid to Central Government as the national 'central' share to be redistributed to pay Revenue Support Grant and police funding;
- 50% is retained locally. Of this 50% the Council must distribute 2% to the Tyne and Wear Fire and Rescue Authority.



**3.6.3 Business Rates**

The Council must determine for itself the level of forecast Business Rate income to take into account in setting its budget taking account of the latest information available. The MTFS takes into account prudent growth in the base income position, based anticipated new developments over the period.

**3.6.3.1 Risk arising from Appeals**

The outcome of valuation appeals continues to be volatile. Whilst good progress has been made, a significant number of lodged appeals remain outstanding with the Valuation office. Under the current system, successful appeals reduce the base income collectable for future years with the Council losing income to the value of 49% of the value of successful appeals. The government introduced a new appeal system from April 2017 with a check, challenge and appeal system intended to make appeals quicker and more efficient and to reduce speculative appeals. To date, this has significantly reduced the number of appeals lodged against the new 2017 list, however, uncertainty remains as to whether this trend will continue.

The Government will only fund losses on business rate collection through the Safety Net mechanism after a certain level of loss has been incurred. Based on our assumptions on business rate income collection, income retained by the Council could fall by up to £8.8m in 2017/2018 (the current financial year) before the Government will provide 100% safety net funding. This means that business rates collected would have to fall by £18m before the threshold is triggered and the Council receives any safety net funding from Government.

**3.6.3.2 Business Rates Review**

The outcome of the proposals to change the way local government is funded with 75% retention of business rates by 2020/21, full cessation of RSG, and a transfer of responsibilities which will need to be funded from retained business rates will be critical to the future sustainability for Council services.

The government has set up a number of working groups to look at the 3 key strands, overseen by the Business Rates Retention Steering Group established by the DCLG, the LGA and representatives from interested parties. The three key strands are:

- Needs and Distribution Working Group – to carry out a fundamental review of relative need and fair funding principles.
- Systems Design Working Group – to look at mechanisms needed to set up and run the proposed 75% business rate retention system covering issues such as redistribution, appeals, safety net and split tiers of local government.
- Responsibilities Working Group – to review the potential new burdens that the new system can fund so that it is fiscally neutral e.g. Public Health, RSG etc.

A number of consultations have been undertaken on both Business Rate retention and fair funding, with the latest consultation paper on fair funding; a review of relative needs and resources issued in December 2017.

## 4 Spending Pressures and Commitments

- 4.1 Spending pressures and commitments are detailed in section 6 of the Cabinet Report 'Revenue Budget and Proposed Council Tax for 2018/2019 and Medium Term Financial Strategy 2018/2019 to 2020/2021.

In addition December Cabinet approved additional capital proposals totalling £60.5m from 2018/2019. The proposals result in additional borrowing costs of £1.5m which have been provided for within the MTFS from 2020/2021.

The cost pressures and commitments are summarised below:

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
<b>Spending Pressures and Additional investment</b>				
Pay, Prices and Other Pressures including Contract Inflation	7.37	8.93	10.36	26.66
People - Adults Demand Pressures, Extra Care and complex needs	0.85	0.58	0.58	2.01
People - SCAS delays in achieving savings	1.82	(1.82)	0.00	0.00
Together for Children additional investment	4.00	0.00	0.00	4.00
Place Based Services - Additional Investment	0.50	0.50	0.50	1.50
Place Based Services - One-Off additional support	1.00	(0.50)	(0.50)	0.00
Tall Ships one-off additional investment	2.00	(2.00)	0.00	0.00
Debt Charges	0.00	0.00	1.50	1.50
Workforce Transformation - Incremental Impact	1.66	0.50	0.15	2.31
Pressure from Use of Previous One-off Balances 2017/2018	6.36	0.00	0.00	6.36
<b>Total spending pressures</b>	<b>25.56</b>	<b>6.19</b>	<b>12.59</b>	<b>44.34</b>

## 5 Summary Overall Budget Gap 2018/2019 to 2020/2021

- 5.1 As full data was not included within the 2018/2019 indicative data, best estimates have been made for 2019/2020.
- 5.2 In relation to 2020/2021, an assumption has been made that when a revised system of 75% retained business rates is implemented, Government will take action to ensure a 'status quo' impact on the funding position for each council through the top-ups and tariffs system, to ensure no detrimental impact on each councils overall funding position.
- 5.3 Taking into account the issues set out in section 3, section 4 and section 5.2, the overall position for funding changes for Sunderland and spending pressures and commitments is set out below:

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
Funding Changes	1.81	6.59	0.27	8.67
Total Ongoing Spending Pressures	25.56	6.19	12.59	44.34
Additional IBCF Social Care grant allocation	(4.49)	(2.22)	0.00	(6.71)
Use of additional IBCF Social Care grant for social care purposes	4.49	2.22	0.00	6.71
<b>Total Budget Gap</b>	<b>27.37</b>	<b>12.78</b>	<b>12.86</b>	<b>53.01</b>

Based on high level assumptions, the on-going savings requirement for 2018/2019 to 2020/2021 is in the region of £53.01million. However, this position is subject to change given the significant uncertainties in the funding system at present including future funding announcements, the outcome of the Fair Funding Review and the move to 75% business rates retention.

## 6 Addressing the Budget Gap and Efficiency Strategy 2018/2019 to 2020/2021

- 6.1 As part of the budget preparations for 2017/2018 and 2018/2019 plans have been developed to seek to address the funding gap through to 2019/2020. At this stage savings plans have been developed totalling £29.90m through to 2020/2021 as set in the table at 6.2 below. Further detail on the savings plans is set out in Appendix B of the main Budget report and further plans will be developed to address the remaining 2020/2021 budget gap.
- 6.2 In addition, the following table shows:
- the Budget proposals and MTFS assume the use of one off reserves to support the budget of £6.4m in 2018/2019 and £3.49m in 2019/2020. As this is supporting on-going expenditure, the one off resource will need to be replaced with permanent savings in 2019/2020 and 2020/2021.

## Appendix G (continued)

- Council tax and social care levy increases in line with referendum principles would generate a further £9.11m of resources to support the budget position over the three years to 2020/2021. While decisions on council tax and social care precept increases will be taken as part of the budget process on an annual basis, this would reduce the overall budget gap to £14.0m by 2020/2021.

	2018/19	2019/20	2020/21	Total
	£'m	£m	£m	£m
Funding Reductions	1.81	6.59	0.27	8.67
Total Ongoing Spending Pressures	25.56	6.19	12.59	44.34
Additional IBCF Social Care grant allocation	(4.49)	(2.22)	0.00	(6.71)
Use of additional IBCF Social Care grant for social care purposes	4.49	2.22	0.00	6.71
<b>Total Funding Gap</b>	<b>27.37</b>	<b>12.78</b>	<b>12.86</b>	<b>53.01</b>
<b>Proposals to Meet the Funding Gap</b>				
Leader (Appendix B.1)	(0.38)	(0.20)	0.00	(0.58)
Deputy Leader (Appendix B.2)	(1.41)	(1.83)	0.00	(3.24)
Cabinet Secretary (Appendix B.3)	(3.88)	(1.89)	0.00	(5.77)
Childrens Services (Appendix B.4)	(2.61)	(3.58)	0.00	(6.19)
Health, Housing and Adult Services (Appendix B.5)	(4.78)	(1.33)	(0.14)	(6.25)
Public Health, Wellness and Culture (Appendix B.6)	(0.45)	(0.90)	0.00	(1.35)
City Services (Appendix B.7)	(2.62)	(2.65)	(0.30)	(5.57)
Responsive Services and Customer Care (Appendix B.8)	(0.48)	(0.47)	0.00	(0.95)
<b>Total Current Savings Programme</b>	<b>(16.61)</b>	<b>(12.85)</b>	<b>(0.44)</b>	<b>(29.90)</b>
<b>Remaining Funding Gap</b>	<b>10.76</b>	<b>(0.07)</b>	<b>12.42</b>	<b>23.11</b>
Use of One off Resources	(6.40)	(3.49)	0.00	(9.89)
Pressure in following year as a result of use of reserves in 2018/2019 and 2019/2020		6.40	3.49	9.89
<b>Net Position Before Council Tax Increases</b>	<b>4.36</b>	<b>2.84</b>	<b>15.91</b>	<b>23.11</b>
Assumed Council Tax and social care precept increase	(4.36)	(2.84)	(1.91)	(9.11)
<b>Final Funding Gap</b>	<b>(0.00)</b>	<b>0.00</b>	<b>14.00</b>	<b>14.00</b>

6.3 The savings plans reflected in 6.2 and set out at Appendix B of the main budget report involve further transforming service delivery, reducing service standards and commissioned activity and prioritising resources to support statutory requirements, key priorities and the council's core principles:

- People - caring for, protecting and supporting the most vulnerable adults and children in our communities;
- Place - keeping our communities as safe, clean and well maintained as possible within the resources available;
- Economy - continuing support to the economic regeneration of the city by encouraging businesses and jobs into the city

## **Appendix G (continued)**

6.4 The Council approach to delivering the savings requirement is encapsulated in the Efficiency Strategy 2018/2019 to 2020/2021 (attached as Appendix Gi) which incorporates the following improvement design principles:

- Shaping, facilitating and enabling services - Focusing on the Council's Community Leadership role and commissioning, shifting from delivery to shaping, facilitating and enabling services.
- Collaborative partnership working - Taking a 'one Sunderland' approach to core functions, and harnessing the collective contributions of partners.
- Strategic Commissioning - focussing on outcomes and commissioning services so they are delivered in the most effective and efficient models.
- Intelligence led - Using an intelligence-based approach to ensure a sound evidence base for commissioning decisions and effective commissioning arrangements.
- Being customer focussed - using robust data and information to understand our resident's needs and using technology to improve their customer experience.
- Managing demand - implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way.
- Being lean and efficient - using technology to maximise productivity, streamline processes, eliminate waste and duplication and drive down support costs; continual review of assets to meet the future needs of the Council and its communities.

6.5 This will include consideration of:

- Ensuring resources are targeted on statutory and front line services and protecting key priority services.
- Redesigning and reshaping services to deliver required outcomes at least cost and maximise productivity.
- Maximising back office savings with a reduction in strategic and support services, with proportionately greater reductions as the Council reduces in size and headcount.
- Strategic commissioning based on outcomes - with reduced commissioning and service standards.
- Ensuring commercial procurement arrangements and contract management deliver maximum outcomes for less resource.
- Maximising commercial income opportunities where there is a market and business case.
- Maximising opportunities afforded through use of technology and manager self-service.
- Involving the Community – residents, businesses, partners, and voluntary sector to ensure best outcomes for the city.
- Continued focus on progressing regeneration and inward investment, funding leverage & commercial opportunities.

6.6 Further updates on the Efficiency Strategy will be provided to Cabinet in due course and the Medium Term Financial Strategy 2018-2021 will be refined and updated as this work progresses.

## **7 Capital and Prudential Borrowing**

- 7.1 The revenue implications of the Council's Capital Programme are considered as part of the process for setting the Capital Programme. The revenue impact of the Capital Programme is reflected in the MTFS, in particular the costs associated with the level of prudential borrowing required to deliver the Capital Programme.
- 7.2 The four year Capital Programme for 2018/2019 to 2021/2022 was set to take account of the reductions in available external funding and the increased pressure on the Council's resources.
- 7.3 New capital schemes for 2019/2020 and beyond, which meet key priority objectives will be considered in light of available resources as the budget process progresses. The borrowing strategy sets out parameters to ensure VFM considerations are safeguarded.

## **8 Reserves and Balances, and Reserves Policy**

- 8.1 The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 8.2 In establishing reserves, the Council must comply with the Code of Practice on Local Authority Accounting in the United Kingdom. The Section 151 Officer will consider the level of reserves as part of the budget setting process, and provide a statement on the adequacy of reserves.
- 8.3 The Council's policy on reserves is as follows:
- The Council will maintain its general reserve at a minimum of £10m to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
  - The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities and these will be kept under regular review.
- 8.4 Other than General Reserve, all reserves are earmarked for specific purposes. The forecast balances on major reserves at 31<sup>st</sup> March 2018 are attached at Appendix Ii for information.
- 8.5 A general reserve of £10m is held to provide a level of contingency and meet any unforeseen expenditure and support the budget as currently agreed as set out in Appendix F. A full analysis of reserves is included annually in the Statement of Accounts. A financial risk analysis in respect of the level of general reserve is set out at Appendix H.

## **9 Budget Consultation and Equality Analysis**

- 9.1 The budget process for 2017/2018 included consultation of budget proposals covering the period 2017/2018 to 2019/2020. In general, the findings demonstrated continuing support for the Councils overall approach to meeting the budget cuts and indicated broad agreement with plans for transformation of services.
- 9.2 The Council continues to fully consider the impact of its plans by following a robust approach to equalities analysis. The Council continues to seek to meet its obligations in relation to equality and diversity and has procedures in place at both a general and budget specific level to incorporate equality and diversity issues into decision making processes and the assessment of proposals.

## **10 Risk Assessment**

- 10.1 A comprehensive financial risk assessment is undertaken for the Revenue and Capital Budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified. These are reviewed as part of the refresh of the MTFS. The key strategic financial risks to be considered in developing the MTFS are as set out at Appendix H.

## **11 Conclusion**

- 11.1 The Government has announced indicative funding levels through to 2019/2020. The reductions outlined in indicative data, when combined with significant unfunded spending pressures imply the three year on-going savings requirement for 2018/2019 to 2020/2021 is likely to be in the region of £53m. This is in addition to the £290m savings already achieved in the period 2010/2011 to 2017/2018.
- 11.2 However, there remains significant uncertainty due to the proposed changes to the way Local Government is funded with the Fair Funding Review and the move to 75% rates retention with the transfer of additional responsibilities to local government planned to be implemented for 2020/2021. The impact of the proposed changes to the local government funding system will be critical to understanding the future sustainability of services within Sunderland. All opportunities will be taken to influence government thinking in this regard.
- 11.3 It is clear that funding of local government over the medium term will be subject to significant change both in terms of sustained reduced funding from central government and the shift towards local self-sufficiency. The significant cuts required are likely to continue, resulting in fundamental change to the way the council operates.

## **Appendix G (continued)**

- 11.4 Government and regional support for capital investment also continues to be restricted over the life of the MTFS, with potential further impacts arising as a result of Brexit. If the Council wants to continue to invest in capital projects to deliver priorities it will need to be even more self-sufficient and raise income or reduce service costs to support borrowing. There will be an increased focus on use of alternative funding models to support priorities and future service provision.
- 11.5 The Council is no longer able to protect frontline services from the impact of the government cuts and unfunded spending pressures. In seeking to minimise the impact on residents and the city, the Council, will increasingly need to take a citywide approach with partners in health, education and the business sector together with our communities to collectively reshape services to enable the best response for the city. The Councils role will increasingly need to shift from delivering services to enabling individuals, communities and other organisations in the public, private and voluntary sectors to work together to address the needs of the city in new ways and to encourage people to be more self-supporting.
- 11.6 In the short term, all funding options, including budget savings and council tax levels and commitments against reserves, will be considered to allow a balanced and sustainable budget over the period to 2020/2021 to be agreed.



## Efficiency Strategy 2018/2019 to 2020/2021

The following strategy sets out the overarching Council approach to meeting the reductions challenge arising from the SR15 and subsequent government funding announcements.

### 1 Purpose

- 1.1 The Efficiency Strategy 2018/2019 to 2020/2021 sets out the overall approach to the delivery of the required savings to address the reductions in funding and spending pressures during the period.

### 2 Objectives of the Strategy

- 2.1 The strategy is intended to:
- enable a balanced budget to be achieved throughout the period of the CSR15;
  - ensure the best use of resources available;
  - ensure the financial resilience of the Council is maintained;
  - comply with government requirements in relation to proposed use of Capital Receipts Flexibility.
- 2.2 Sunderland City Council is committed to delivering continual improvement and to providing services that represent good Value for Money to its residents. Through planning and financial and performance management arrangements the council ensures that value for money is embedded into the culture of the council's activities and its arrangements with partners.
- 2.3 The approach set out in this strategy reflects the Council's approach and arrangements for delivery of savings as part of medium term financial planning.

### 3 Context

- 3.1 This strategy integrates the Council commitment to strengthening its Community Leadership role in the city. As a democratically elected body, the Council will continue to be:
- a champion and advocate for Sunderland communities and interests;
  - a focal point of leadership for partners to work together to deliver on priority outcomes:
    - Economy - ensuring the optimal conditions for investment and growth to create more and better jobs for Sunderland.
    - Health- improving the health and wellbeing of our residents, through the integration of health and social care and supporting our communities to support themselves.
    - Skills and Education - Through the skills strategy aligning education, training and jobs to help both our residents and businesses achieve their full potential.

## Appendix Gi) (continued)

- 3.2 The approach includes working with partners in getting closer to communities, to understand and interpret needs and local priorities and in developing innovative means of addressing those needs and priorities. The approach continues to focus on:
- understanding the priorities of communities, and focussing attention on the right priorities and decisions;
  - shaping the most appropriate response to needs;
  - developing relationships with partners, and communities to promote self-help and self-reliance and maximising the contribution of communities;
  - harnessing the potential contribution from other organisations and individuals in achieving key outcomes;
  - promoting Sunderland's interests at sub-regional, regional, national or international levels.

## 4 The Financial Challenge - Medium Term Financial Plan

- 4.1 The MTFS set out at Appendix G shows savings requirements through to 2021 as follows:

	2018/19 £'m	2019/20 £m	2020/21 £m	Total £m
Funding Reductions	1.81	6.59	0.27	8.67
Total Ongoing Spending Pressures	25.56	6.19	12.59	44.34
Additional IBCF Social Care grant allocation	(4.49)	(2.22)	0.00	(6.71)
Use of additional IBCF Social Care grant for social care purposes	4.49	2.22	0.00	6.71
<b>Total Funding Gap</b>	<b>27.37</b>	<b>12.78</b>	<b>12.86</b>	<b>53.01</b>

On-going savings of £53m are estimated to be required over the three years to 2020/2021. This is in addition to the £290m savings already achieved in the period 2010/2011 to 2017/2018.

- 4.2 The Revenue Budget and Proposed Council Tax for 2018/2019 report to February 2018 Cabinet includes proposals to meet the funding gap for 2018/2019 and 2019/2020. Section 5 below sets out the approach to develop a full suite of proposals to meet the remaining funding gap through to 2020/2021.
- 4.3 A further suite of proposals to balance the budget over the medium term will be considered by Cabinet in due course and form the basis of consultation.

**5 The Approach to meeting the funding gap**

- 5.1 To deliver the scale of reductions faced by the council over the medium term it is necessary to consider the role of the council as change will be required to the way the council operates in the future. This will inevitably impact on the services provided to communities.
- 5.2 This involves further transforming service delivery, reviewing service standards and commissioned activity and prioritising resources to support statutory requirements and key priorities:
- People - caring for, protecting and supporting the most vulnerable adults and children in our communities;
  - Place - keeping our communities as safe, clean and well maintained as possible within the resources available;
  - Economy - continuing support to the economic regeneration of the city by encouraging businesses and jobs into the city.
- 5.3 The Council will continue to use new and innovative approaches to address priority needs to delivering the savings requirement by:
- Strategic Commissioning - focussing on outcomes and commissioning services so they are delivered in the most effective and efficient models of service provision.
  - Using an intelligence-based approach to ensure a sound evidence base for commissioning decisions and effective commissioning arrangements.
  - Being customer focussed - using robust data and information to understand our resident's needs and using technology to improve their customer experience.
  - Managing demand - implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way.
  - Being lean and efficient - using technology to maximise productivity, streamline processes, eliminate waste and duplication and drive down support costs; with continual review of assets to meet the future needs of the Council and its communities.

**5.4 Programme of service activity**

There will be a continued and iterative development of a programme of activity to address the gap taking into account the strategic vision of the council's role in the future and reflecting the Improvement Framework key principles.

For all service areas this includes consideration of:

- Ensuring resources are targeted on statutory and front line services and protecting key priority services with a focus on need rather than want.
- Redesigning and reshaping services to deliver required outcomes at least cost and maximise productivity. There will be a focus on commissioning, shifting from the council directly delivering services, to a role of shaping, facilitating and enabling services.
- Strategic commissioning based on outcomes with revised commissioning and service standards to enable key priorities to be met with appropriate services commissioned at lower cost.
- Ensuring commercial procurement arrangements and contract management deliver maximum outcomes for less resource.
- Pressing forward with new models of service delivery at reduced cost and increasing commercialisation to maximise income opportunities where there is a market and business case.
- Ensuring opportunities for collaboration with partners to deliver key outcomes that matter to the city.
- Maximising back office savings with a reduction in strategic and support services, with proportionately greater reductions as the Council reduces in size and headcount.
- Maximising opportunities afforded through use of technology and manager self-service.
- Involving the Community – residents, businesses, partners, voluntary sector to ensure best outcomes for the city
- Continued focus on Regeneration and inward investment, Funding Leverage and Commercial Opportunities.

## **5.5 Income maximisation**

In addition to pursuing service related activity strategies as set out at paragraph 5.4, focus will also be made on maximising income levels:

### **5.5.1 Retained Business Rates**

Under the current Retained Business Rates mechanism for funding local Government, the Government makes assumptions about the level of Business Rates which will be achieved and retained by a Local Authority in determining its Settlement Funding Assessment. However the Council must determine for itself the anticipated level of Business Rate Income collection. The Business Rate income for 2018/2019 to be retained by the Council is £43.024m, after cost of collection allowance.

Monitoring and management of the various strands that impact on levels of income collection are focussed and robust and involves collaboration across the Council to gain insight and intelligence about potential growth or reduction in the business rate base, performance and trends in terms of collection as well as gaining external intelligence from the Valuation office.

The impact of the Regeneration activity (see 5.7) and the Council's Capital Strategy will help grow the business rates base within the city. This takes on even greater relevance in light of the government proposed moves to 75% retained business rates by 2020.

The efficiency strategy assumes prudent growth in the Business rates base of £0.500m per annum in 2018/2019 and £0.550m per annum in 2019/2020 based on historical growth, forecast developments impacting on the business rates baseline, and the volatility of the appeals position.

### **5.5.2 Council Tax**

Recent years have seen sustained growth in the council tax base as new houses have been built, bringing with it benefits in terms of both increased council tax income and New Homes Bonus grant. The impact of the Regeneration activity (see 5.7) and Capital Strategy will further help grow the availability of housing in the city resulting in additional Council Tax income which will assist in meeting the cost of services. Over the medium to long term there are a number of proposed residential developments including Siglions proposed developments at Seaburn and Chapelgarth and the South Sunderland Growth Area.

Such development activity will take on even greater importance as the government removes core grant funding in favour of local self-sufficiency.

The Efficiency Strategy assumes growth in the council tax base of £0.500m per annum in 2018/2019 and £0.600m per annum in 2019/2020 based on historical experience of growth in the base and known development activity which will impact during the period of the MTFS.

## **Appendix Gi) (continued)**

The Local Government settlement for 2018/2019 and indicative data through to 2019/2020 includes assumptions that councils will raise council tax annually in line with the level allowed without a local referendum in addition to applying a social care levy. The council will consider the position regarding Council Tax as part of each annual budget process.

### **5.5.3 Fees and Charges**

A review of all fees and charges takes place on an annual basis to ensure that opportunities to maximise resources are followed through.

Opportunities for new charges continue to be actively pursued by Directors as part of the improvement planning process and these will be reflected within future savings plans to be considered by Cabinet in due course.

### **5.6 Commercial activities - Trading Operations**

- **Port**  
The general downturn in the provision of general port services and infrastructure continues; this is primarily linked to reduced levels of infrastructure works in the North Sea basin. This is compounded by an over capacity of service provision in the region which continues to impact on operating margins as competition grows for remaining commercial opportunities.

Notwithstanding the above, the Port has grown turnover and improved profit levels over recent years. This has been supported and facilitated by continued capital investment in plant and infrastructure, allowing the Port to reduce its revenue costs and support new areas of trade and react to these in a timely manner. Part of the Port estate has been granted Enterprise Zone status which will assist with attracting new business to the Port and enable further investment in infrastructure underpinned by business rates growth.

- **Local Authority Trading Companies**  
Sunderland Care and Support Ltd is in its fourth year of operation in 2017/2018 and is focused on improving its market share through increased productivity and review of cost base to improve the value for money to the council.

**5.7 Capital Programme and Regeneration Activity**

5.7.1 The council's capital programme encompasses the aims and priorities set out in the Council's Economic Master Plan ("EMP"), Corporate Plan, 3,6,9 vision and underlying detailed strategies on regeneration (including Housing and Transport) and Culture. It is focused on key strategic priorities of

- City centre regeneration
- economic regeneration and inward investment
- city wide infrastructure and
- area based infrastructure and public realm

A key priority of the Capital programme 2018/2019 to 2021/2022 is to continue to support plans for the regeneration of the City Centre, River Corridor, IAMP, Enterprise Zones, the continued development of city wide infrastructure and to support housing growth.

5.7.2 The council will continue to take an increasingly commercial approach to securing capital investment in the city in order to deliver growth and jobs. The council will increasingly work with partners to continue to invest in the regeneration of the city to maximise the use of resources available and delivery of outcomes. This in turn will help maximise income available to the city through council tax, business rates and new homes bonus.

5.7.3 The Capital programme will be kept under review in light of delivery of savings plans and associated transformational costs arising. The programme may need to be revised to enable utilisation of capital receipts flexibilities or realignment of earmarked capital reserves to meet transformational costs or to support the overall budget position.

**5.8 Leverage of External Funding**

5.8.1 The council continues to explore and maximise external funding opportunities to support its core priorities including economic development, education and skills, health and well-being and culture and heritage.

5.8.2 In recent years, the council has been successful in securing significant levels of external funding for major regeneration projects. The council has also been able to maximise support from the European Regional Development Fund, Regional Growth Fund, Growing Places Fund and through the North East LEP's North East Infrastructure Fund for key investments.

5.8.3 In the last 12 months, substantial progress has been made in preparing plans for the International Advanced Manufacturing Park (IAMP), which has now secured over £100m of investment, including £41.2m from the Local Growth Fund. The site has also been granted Enterprise Zone status which will enable major investment in infrastructure to be underpinned by business rates growth.

## Appendix Gi) (continued)

- 5.8.4 As the New Wear Crossing, *Northern Spire*, nears completion in 2018, work continues on detailed major infrastructure plans for further phases of the Sunderland Strategic Transport Corridor. Phase 3 of the SSTC project has secured a significant provisional contribution of £40.5m from the Local Growth Fund which will be progressed during 2018.
- 5.8.5 Continued investment in the city's heritage, tourism and cultural assets has also been secured through the Great Places scheme, Heritage Lottery Fund, Historic England, Arts Council and Coastal Communities Fund. Development work is underway to identify a pipeline of future projects seeking support to enhance the city's cultural offer.
- 5.8.6 Despite the outcome of the EU referendum in June 2016, further calls for projects have been issued under the European Structural and Investment Fund (ESIF) programme. The European Regional Development Fund (ERDF) programme for the NELEP area has committed a large amount of its funds to projects that will run until 2020 and in some cases through to 2022/23.
- 5.8.7 While a large proportion of the ERDF allocation to the NELEP area is contractually committed or indicatively allocated, approximately £100m of European Social Fund (ESF) grant remains to be committed. A series of ESF calls for projects have taken place since July 2017, with further calls expected in 2018 and 2019 in order to ensure that as many local employment, education and skills projects can be developed and approved prior to the UK exiting the EU. Therefore, there are significant project development opportunities for the council and Sunderland organisations during this period.
- 5.8.8 In December 2017, the EU and the UK Government agreed that the EU Structural Funds will continue to operate as normal in the UK up until the end of 2020. This agreement formed part of the deal at the conclusion of the first phase of Brexit negotiations, and stated that:

*Following withdrawal from the Union, the UK will continue to participate in the Union programmes financed by the Multiannual Financial Framework 2014-2020 until their closure..... Entities located in the UK will be entitled to participate in such programmes..... Accordingly, the eligibility to apply to participate in Union programmes and Union funding for UK participants and projects will be unaffected by the UK's withdrawal from the Union for the entire lifetime of such projects.*

- 5.8.9 Opportunities to access EU funding programmes will therefore continue for the next 2-3 years until the remaining funds are fully committed. Project activities supported by EU funds will continue into 2022/23. While the above statement provides reassurance on the NELEP area's £437m ESIF allocation for 2014-2020, local government and regional partners continue to lobby for a UK successor programme that will operate beyond 2020.
- 5.8.10 The 2016 Autumn Statement announced the new National Productivity Fund that will add £23 billion in high value investment from 2017/2018 to 2021/2022. The Fund is allocated across a number of priority areas, including housing (for example, the Housing Infrastructure Fund launched in July 2017), research and development, and economic infrastructure including transport



## 5.9 Other Options for Future Funding

The reduction in both revenue and capital funding requires the council to focus on new and existing opportunities for funding for example:

- Capital Funding - Bonds, TIF, asset backed partnerships, European support; joint working with partners, infrastructure investment for enterprise zones underpinned by business rates growth
- Trading opportunities
- Alternatives to revenue funding

The council will seek to maximise opportunities for funding priority spending. Some avenues have already been explored and implemented for example the formation of Care and Support Sunderland Limited, the formation of a Local Asset Backed Vehicle (Siglion) to bring forward and develop priority regeneration sites, the formation of Sunderland Lifestyle Partnership to develop, manage and operate a number of leisure facilities across the city, and more recently development of the Housing investment company. Other opportunities will continue to be explored and proactively developed as part of improvement planning activity in order to enable the council to meet the on-going challenges.

## 5.10 Partnership / Collaboration / Joint working Activity

The Council's Community Leadership programme places increasing focus on working in partnership with public, third sector and private partners to deliver city-wide aims, priorities and strategies.

This will include consideration of how public money is spent across the city and regionally and working with partners to ensure combined spending generates the best possible value for the city in terms of both the city's infrastructure and asset base and services delivered to residents.

- The Capital Programme reflects on-going work with key partners to review physical assets on a city-wide basis and maximise the potential benefits and opportunities of wider capital and infrastructure;
- The council is progressing work with Health partners as part of the Better Care Fund to enable greater integration of service delivery to improve outcomes for patients and social care users while reducing cost.

Opportunities for joint working and collaboration with other Local Authorities to reduce costs will also be considered where appropriate.

## 5.11 Reserves and Balances

Regular review of all commitments against reserves is undertaken. Reserves earmarked for specific purposes may be reprioritised in light of the delivery of savings plans proposals with consideration given to the release of such reserves to support the overall budget position and transformational costs as necessary.

**5.12 Good Housekeeping and General on-going actions**

The following actions are embedded within the Budget management responsibilities of accountable officers to ensure savings are maximised at all stages:

- Continuous review of costs and planned spend to minimise non-essential spend and maximise savings;
- Challenge of all spending, working practises and culture under the header 'small changes - big savings';
- Understanding that spending pressures are to be contained within directorate existing budgets;
- Annual refresher with Budget Managers to ensure their roles and responsibilities as Budget Managers are clearly understood.

**6 Invest-to-Save proposals linked to delivery of savings plans**

6.1 Some savings may require some initial up-front investment to enable savings to be delivered - examples include investment in technology to enable improved productivity and reduced cost, or investment in extra care facilities to reduce numbers entering residential nursing care. Such Invest to save proposals are considered on a case by case basis and subject to development of a business case with the investment recouped through savings generated over a period of time. Savings proposals for 2018/2019 to 2020/2021 has identified where such investment is required and the position will be kept under review.

**6.2 Use of Capital Receipts Flexibility to support transformational costs**

6.2.1 One-off transformational costs will arise through Workforce Planning arrangements in order to assist in delivering the on-going reduction proposals for 2018/2019 through to 2020/2021.

6.2.2 As part of the 2018/2019 Settlement, the Government has extended the flexibilities allowing capital receipts generated in each year through to 2021/2022 to be used to fund transformational costs incurred in those years.

6.2.3 Workforce Planning arrangements will incur circa £3.5m of transformational costs associated with reducing the workforce to deliver £5.3m of planned savings relating to 2018/2019, 2019/2020 and 2020/2021. This represents a payback period of 0.66 years. However, it is possible that an element of this cost will fall in the current financial year. In addition it is likely that additional transformational costs in excess of workforce planning may arise, for example on ICT systems or other one-off costs.

- 6.2.4 It is proposed to continue the approach adopted in recent years in relation to the capital receipts flexibility in order to ensure maximum flexibility in funding options available with the capital receipts received utilised to meet Workforce Planning arrangement transformation costs arising in 2018/2019. In addition it is likely that additional transformation costs in excess of workforce planning may arise, for example on ICT systems or other one-off costs.
- 6.2.5 In order to comply with the capital receipts flexibility requirements it is proposed to earmark capital receipts generated in 2018/2019 of £3.5m for this purpose. The council Efficiency Strategy supports the government requirements in making use of these flexibilities. The requirements in respect of prudential indicators are reflected in the Capital Programme 2018/2019 and Treasury Management Policy and Strategy 2018/2019.
- 6.2.6 The position will be kept under review throughout the year as transformational costs and capital receipts generated are finalised. Final arrangements on funding transformational costs arising in 2017/2018 through to 2018/2019 will be considered as part of the outturn position each year taking account of the overall corporate outturn position, available reserves, and capital receipts availability.

## **7 Governance and Monitoring arrangements**

The strategy will be robustly managed to ensure financial resilience is maintained. Progress on the delivery of savings required will be closely monitored and reported upon. The arrangements include:

- The Cabinet Secretary is Member Champion for efficiency;
- All initiatives proposed for inclusion in the programme to deliver the savings requirement are subject to scrutiny at all stages during the budget process prior to final inclusion in the programme, to ensure realistic likelihood of realisation, existence of baseline information, impact on outcomes, and assessment of risks;
- All detailed initiatives / actions have a nominated Directorate lead officer who is accountable for ensuring successful implementation and delivery in accordance with timelines and financial savings;
- Corporate performance monitoring arrangements includes monitoring of delivery of savings at Chief Executive and Directorate level and is embedded as part of the routine budget monitoring processes with reporting to Directorate Senior management teams and Portfolio Holders;
- Delivery Board oversee progress on implementation and delivery
- Reporting to Cabinet on progress on delivery of annual savings on a quarterly basis.

## MTFS 2018/2019 to 2020/2021 Risk Assessment

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
1. Future available resources less than notified. While the council has signed up to the Multi-year (4 year) guarantee for RSG based on the data as known, this does not reflect any potential impact of Brexit or impact of Government Fair Funding review and move to 75% retained Business Rates. This is likely to be a key impact on the level of funding available in future	Likely	High	Settlement confirmed RSG funding for 2018/2019 with assumptions beyond 2018/2019 based on indicative data released by Government as part of the 2018/2019 settlement adjusted for best local knowledge and information available. Sign up to multi-year 4 year guarantee for RSG (although it is noted this only covers RSG). Assumptions will be updated regularly for impact of government reviews of funding and related announcements. Annual review of reserves and reserves policy to identify available future resources.
2. Changes to Government and/or policy.	Possible	High	The Governments'; manifesto and queens speech following the election (covering a two year period) included little primary legislation proposals affecting local government. Source alternative funding options including short term use of reserves. Pressures factored into MTFS. Latest funding cut indications reflected in MTFS.
3. Pay Awards and price inflation higher than assumed.	Possible	Low	The government is currently holding the line on not funding pay awards for local government, therefore provision included in mtfs based on latest known national employers offer. Provision for contingencies set on the basis of the best available evidence.
4. Future spending plans underestimated.	Possible	Medium	Service planning process and regular MTFS review identifies future budget pressures.
5. Anticipated savings not achieved.	Possible	High	Regular monitoring and reporting take place but the size of the funding cuts increase the likelihood of this risk into the future. None achievement of savings would require compensating reductions in planned spending within services. Principles to maintain General Reserve at £10m. Availability of Transitional Funding

## Appendix Gii) (continued)

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
6. Revenue implications of capital programmes not fully anticipated.	Unlikely	Low	Revenue impacts considered in framing the capital programme. Given reduced availability of funding new projects primarily invest to save or regeneration activity with limited revenue cost impacts. Capital programme links to council priorities
7. Income Targets for Business Rates and Council Tax not achieved	Possible	High	Prudent approach taken in setting the forecast income levels. Rigorous monitoring processes in place, including through corporate performance arrangements to identify forecast shortfall and remedial action will be taken. Government Safety Net arrangements
8. Other Miscellaneous Income targets not achieved	Possible	Medium	Economic climate potential impact, mitigated by planned short term use of reserves. Regular monitoring / reporting and review of fees and charges undertaken.
9. Budget monitoring not effective	Unlikely	High	Regular monitoring / reporting in line with corporate performance management framework. Action plans developed to address problem areas.
10. Exit strategies for external funding ceasing/tapering not met.	Possible	Medium	Regular monitoring and reporting. Government policy has largely removed ring fencing providing greater flexibility. External Funding Strategy in place.
11. Loss of principal deposit.	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which focus on security of deposit rather than returns. Impact limited due to the strategy of a diverse portfolio and top rated institutions and greater use of low risk debt management approach.
12. Interest rates lower than expected.	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2018/2019 onwards factored into the MTFS.
13. All MTFS risks not adequately identified.	Unlikely	Low	Council's Risk Management Profile ensures all operational and strategic risks identified as part of annual service planning process.

## General Balances – Financial Risk Analysis

### Inflation

*Risk is that pay and price increases may exceed the levels provided for within the budget.*

This is very unlikely to occur due to the realistic prudent provisions made:

- Prudent provision has been included for known pay offers;
- CPI was 3.1% in November 2017. The Bank of England are forecasting inflation to peak at 2.2% in October 2018 before falling to 2.1% in the last quarter of 2020. The Bank of England does not expect inflation to return to its 2% target until after 2020.
- Inflation will put further pressure on Council budgets, however;
  - appropriate provision for price increases has been included in the budget including a prudent provision for increases in contract prices and additional provision for fees for independent providers of care services including the impact of the National Living Wage,
  - expenditure in respect of most budgets can be either influenced or controlled;
  - separate provision has been made for fuel and utility costs, which have been subject to price fluctuations over recent years. Council procurement officers continuously monitor price changes in order to take advantage of any purchasing opportunities that may arise.

### Debt Charges

*Risk is that Debt Charges will be greater than budgeted.*

This is unlikely to arise due to:

- a prudent provision has been made to enable potential borrowing under the prudential framework;
- the market consensus regarding the economic outlook for the years ahead is reflected in planning for debt charges;
- a contingency exists for any additional new borrowing costing more than forecast.

### Investment Interest

*Risk is that income generated will not match budget provision.*

This is unlikely to arise as the base budget reflects a prudent rate of return, which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

## **Contingencies**

*Risk is that the contingency provision will be insufficient to meet the needs identified.*

This is unlikely to occur due to:

- prudent estimates have been included in respect of each category of contingency provision and specific contingencies have been created for known spending pressures in 2018/2019;
- the total contingency provision will be considered in the context of the net revenue budget.

## **Risk Management**

*Risk is that all risks have not been identified and that major financial consequences may result.*

This is unlikely to occur due to:

- existence of Bellwin Scheme;
- the Council has a corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- corporate and directorate risk management action plans are maintained;
- comprehensive self and external insurance arrangements are in place;
- adequate self-insurance funds including both provisions and reserves;
- risk management practices have been subject to external assessment and found to be robust and highly rated.

## **Financial Planning**

*Risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Council.*

This is unlikely to arise due to:

- the existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- benchmarking and networking with other senior finance staff in other authorities who are likely to identify similar liabilities.

## **Revenue Budget - Budgetary Control**

*Risk is that the budget will be overspent in the year.*

Whilst the scale of changes in the budget and levels of savings are significant, robust monitoring arrangements are in place to deal with the increased risks associated with this including;

- Corporate performance monitoring arrangements includes monitoring of delivery of savings and overall budget position at Chief Executive, Directorate and Head of Service level and is embedded as part of the routine budget monitoring processes with exception reporting to Directorate Senior management teams and Portfolio Holders with corrective action agreed or set in train;

## **Appendix H (continued)**

- quarterly Council-wide Revenue Budget Budgetary Control reviews are undertaken, reported to Cabinet and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virement and carry forward of under spending to be used the following financial year;
- clear budget management responsibilities are in place and recorded within the Revenue Budget and Capital Programme.

### **Capital Programme Implications**

*Risk is that funding will not be available as planned or that over spending may occur.*

This is unlikely to happen due to:

- project sponsors are identified for each capital programme project and recorded within the Capital Programme;
- quarterly Council-wide Capital Programme Budgetary Control reviews are undertaken, reported to Cabinet and corrective action agreed or set in train;
- budgeted revenue contributions to fund capital expenditure and the Prudential Borrowing regime gives added flexibility in terms of financing the Capital Programme.

### **Reductions to the Revenue Budget**

*Risk is that planned reductions to the Revenue Budget will not occur or are unachievable.*

This is unlikely to occur due to:

- the budgetary control processes that are in place fully integrate monitoring of delivery of budget reduction plans which will identify any shortfall and remedial action will be taken;
- Corporate performance monitoring arrangements includes monitoring of delivery of savings and overall budget position at Directorate level and is embedded as part of the routine budget monitoring processes with exception reporting to Directorate Senior management teams, Portfolio Holders and Leadership team with corrective action agreed or set in train;
- contingencies / transitional funds exist to safeguard against the non - realisation or temporary delay of some of the budget reductions.



## Major Earmarked Reserves - Position Statement

<b>Title and Purpose of Earmarked Reserve</b>	<b>Opening Balance 1/4/2017 £'000</b>	<b>Forecast Movement during 2017/2018 £'000</b>	<b>Forecast Closing Balance 31/3/2018 £'000</b>
<b>Strategic Investment Reserve</b> A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities	28,961	(9,824)	19,137
<b>Schools Delegated Budget Surpluses</b> These are the financial reserves held by schools under School Finance Regulation.	8,224	(3,155)	5,069
<b>Insurance Reserve</b> This reserve has been established to provide for potential claims associated with the housing stock transfer; future claims increases, and the Port and risk management funds. The Reserve is also intended to cover the excess element of any significant claims in relation to Fire Insurance and Official and Professional Indemnity liability claims should they arise in future	5,224	0	5,224
<b>Street Lighting PFI Smoothing Reserve</b> The reserve was established in order to smooth the financial impact of the Street Lighting PFI contract across the 25 years of the contract life.	5,085	(364)	4,721
<b>Strategic Investment Plan Reserve</b> A reserve to fund the Council's contribution to its Strategic Investment Plan approved by Council in April, 2008.	3,617	(2,952)	665
<b>HCA Transfer Reserves</b> The reserve was established to fund on-going maintenance of Homes and Communities Agency Land Transferred to the Council, including the recent Stadium park transfer.	15,460	(1,456)	14,004
<b>Sandhill View PFI Smoothing Reserve</b> The reserve was established in order to smooth the financial impact of the Sandhill View PFI contract across the 25 years of the contract life.	2,519	(34)	2,485
<b>Medium Term Smoothing Reserve</b> This reserve was established to address any potential impact arising from the increased risk and uncertainty within the new Business Rates Retention Scheme, to be considered for future use in supporting the budget over the medium term	8,941	(5,436)	3,505
<b>Economic Strategy Reserve</b> Established to progress economic regeneration activity and address potential impacts of Brexit	4,100	0	4,100
<b>School Redundancy Reserve</b> The reserve was established to meet future redundancy costs which may arise in Local Authority maintained schools.	2,607	0	2,607

## Reserves to be released to support 2018/2019 Budget

Reserve Title	Original Reserve Purpose	£'m	Supporting Overall Budget Position 2018/2019 £'m	Supporting one-off Transformational costs 2018/2019 £'m
Strategic Investment Reserve	Reserve held to meet future liabilities	3.102	2.900	0.202
Medium Term Smoothing Reserve	To address increased risk and Uncertainty within the Business Rates Retention Scheme	3.500	3.500	0.000
<b>Reserves to be released to support 2018/2019 Budget</b>		6.602	6.400	0.202

# REVENUE BUDGET 2018/2019

# REVENUE BUDGET 2018/2019 GENERAL SUMMARY

Revised Estimate 2017/18 £		Estimate 2018/19 £
7,086,280	Leader	7,244,443
6,707,107	Deputy Leader	7,198,729
7,599,006	Cabinet Secretary	6,618,227
64,692,149	Children's Services	67,516,323
80,812,688	Health, Housing and Adult Services	76,795,629
8,424,648	Public Health, Wellness and Culture	7,960,608
41,083,660	City Services	41,729,589
5,403,389	Responsive Services and Customer Care	4,998,530
5,698,155	Provision for Contingencies	10,428,861
	Capital Financing Costs	
19,740,000	- Debt Charges	19,740,000
(300,000)	- Interest on balances	(300,000)
(1,000,000)	- Interest on Airport long term loan notes	(1,253,000)
	Transfer to/from Reserves	
926,047	- Medium Term Planning Smoothing Reserve	926,047
0	- Collection Fund Surplus Reserve	1,344,629
(6,362,000)	- Use of Medium Term Planning Smoothing Reserve	(3,500,000)
0	- Use of Strategic Investment Reserve	(2,900,000)
(19,596,830)	Technical Adjustments: IAS19 and Reversal of Capital Charges	(19,936,679)
<u>220,914,299</u>		<u>224,611,936</u>
	<b>LEVIES</b>	
15,569,087	North East Combined Authority Transport Levy	15,218,556
221,431	Environment Agency	224,250
63,357	North East Inshore Fisheries Conservation Authority	63,357
<u>15,853,875</u>		<u>15,506,163</u>
	<b>Less Grants</b>	
(9,336,367)	Improved Better Care Fund	(13,037,752)
(1,574,783)	Adult Social Care Grant	(979,861)
(2,688,931)	Section 31 Grants – Business Rates	(4,538,059)
(3,537,113)	New Homes Bonus	(3,195,199)
(194,312)	New Homes Bonus Redistributed Amount	0
(13,781)	Inshore Fisheries Conservation Authority	(13,781)
<u>219,422,887</u>	<b>TOTAL NET EXPENDITURE / LOCAL BUDGET REQUIREMENT</b>	<u>218,353,447</u>
62,720	Hetton Town Council	65,506
<u>219,485,607</u>	<b>TOTAL BUDGET REQUIREMENT</b>	<u>218,418,953</u>
	<b>Deduct Grants etc.</b>	
44,711,480	Revenue Support Grant	36,156,881
41,661,043	National Non Domestic Rates/Retained Business Rates	43,023,994
40,699,065	Top up Grant	42,191,923
2,500,000	Collection Fund Surplus - Council Tax	1,844,629
<u>129,571,588</u>		<u>123,217,427</u>
<u>89,914,019</u>	<b>LOCAL COUNCIL TAX REQUIREMENT INCLUDING PARISH PRECEPT</b>	<u>95,201,526</u>
<u>89,863,144</u>	<b>LOCAL COUNCIL TAX REQUIREMENT EXCLUDING PARISH PRECEPT</b>	<u>95,147,865</u>

**REVENUE BUDGET 2018/2019  
GENERAL SUMMARY**

	<b>£m</b>
Pay and Cost Pressures	5.025
General Contingency	0.500
Adult Social Care - Community Based Support	1.074
Adult Social Care - Additional Adult Social Care Grant Funded Expenditure 2018/19	0.980
Service Pressures and Economic Downturn	0.550
Winter Maintenance	0.300
Tall Ships	2.000
<b>Total Contingency</b>	<b>10.429</b>

**STATEMENT OF GENERAL BALANCES**

	<b>£m</b>
<b>Balances as at 31st March 2017</b>	<b>10.000</b>
<b>Use of Balances 2017/2018</b>	
- Contribution to Revenue Budget 2017/2018	(6.362)
<b>Addition to Balances 2017/2018</b>	
- Transfer from Medium Term Planning Smoothing Reserve to support the 2017/2018 budget	6.362
<b>Estimated Balances 31st March 2018</b>	<b>10.000</b>
<b>Use of Balances 2018/2019</b>	
- Contribution to Revenue Budget 2018/2019	(6.400)
<b>Addition to Balances 2018/2019</b>	
- Transfer from Medium Term Planning Smoothing Reserve to support the 2018/2019 budget	3.500
- Transfer from Strategic Investment Reserve to support the 2018/2019 budget	2.900
<b>Estimated Balances 31<sup>st</sup> March 2019</b>	<b>10.000</b>

## REVENUE BUDGET 2018/2019 LEADER

### ROLES AND RESPONSIBILITIES

The Leader Portfolio provides Executive leadership to the council on all matters and particularly all major strategic, corporate and cross-cutting, reputational and commercially sensitive issues, strategic transport and the Budget and Capital Programme. The Portfolio also provides community leadership for partners, residents and other interests in order to improve the quality of life and satisfaction in the City. The Portfolio coordinates and apportions the roles and responsibilities on Executive Members. The Portfolio is also responsible in ensuring that the Council's approach to economic, social and physical regeneration of the City is integrated, enabling and effective.

The Portfolio has specific responsibility for the following activities and functions:

- Strategic and policy overview
- Communications, Reputation and Influencing
- Strategic economic development and Inward Investment
- Strategic partnerships
- Sunderland Way of Working and strategic improvement programmes
- International Strategy and Programmes
- Regional and sub-regional governance
- Housing Strategy
- Environmental Policy
- Carbon Management
- Seafront Strategy

### FINANCIAL

#### OBJECTIVE SUMMARY

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>Corporate Services</b>				
1	EDoCS	252,378	Corporate and Strategic Management	259,986
2	HoLG	1,400,395	Democratic Core	1,400,395
3	HoPPC	738,983	Local Enterprise Partnership - Business Rates	770,580
		<b>2,391,756</b>	<b>Total Corporate Services</b>	<b>2,430,961</b>
<b>Economy and Place</b>				
4	HoBI&IM	894,590	Business and Investment	1,000,619
5	HoTCP	440,189	Directorate Business Support	351,342
		<b>1,334,779</b>	<b>Total Economy and Place</b>	<b>1,351,961</b>
<b>Strategy, Partnerships and Transformation</b>				
6	HoPPC	1,127,085	Corporate Affairs and Communications	1,104,588
7	HoPPC	39,828	Local Strategic Partnership	14,828
8	HoMSCP	73,456	Member Support	72,362
9	HoPPC	1,371,993	Strategy, Policy and Performance Management	1,270,081
10	HoTCP	497,468	Transformational Change Team	518,519
		<b>3,109,830</b>	<b>Total Strategy, Partnerships and Transformation</b>	<b>2,980,378</b>
		<b>6,836,365</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>6,763,300</b>
<b>Non Delegated Budgets</b>				
11		251,096	IAS19 (Pensions)	299,810
12		4,560,899	Support Service Costs - received from other services	4,496,724
13		(5,219,263)	Support Service Costs - charged to other services	(4,972,574)
14		657,183	Asset Charges	657,183
		<b>7,086,280</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>7,244,443</b>

**REVENUE BUDGET 2018/2019  
LEADER**

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

EDoCS	Executive Director of Corporate Services
HoLG	Head of Law and Governance
HoPPC	Head of Policy, Partnerships and Communications
HoBI&IM	Head of Business Investment and International Manager
HoTCP	Head of Transformational Change Programme
HoMSCP	Head of Member Support and Community Partnerships

**REVENUE BUDGET 2018/2019**  
**DEPUTY LEADER**

**ROLES AND RESPONSIBILITIES**

The Deputy Leader deputises for the Leader and has lead responsibility for matters relating to the 'Place' theme within the Council's outcome framework, with specific strategic leadership responsibility for the following Portfolios:

- City Services
- Responsive Service and Customer Care

The Deputy Leader Portfolio has overall responsibility for the efficient, coordinated management and use of the Council's human and ICT resources.

The Portfolio has specific responsibility for the following activities and functions:

- Corporate human resource matters
- Corporate apprenticeships
- Corporate ICT matters
- E-government Champion, Digital Challenge and e-inclusion
- Law and Governance services
- Transactional shared services
- Elections
- Equality and diversity
- Scrutiny liaison

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
			<b>Corporate Services</b>	
1	HoCS,I&ICT	11,446	Benefits Service	203,873
2	HoCR	93,069	Contractual Relationships	102,715
3	HoES	351,128	Electoral Services	615,977
4	HoLG	512,930	Governance Services	590,364
5	HoCS,I&ICT	6,107,755	ICT	5,857,404
6	HoLG	72,793	Information Governance	82,600
7	HoLG	748,219	Legal Services	778,731
8	HoAP&PM	461,453	Purchase to Pay	356,151
9	HoEF,R&CF	63,146	Revenues	139,503
10	HoHR&OD	2,397,978	Strategic and Operational HR	2,260,257
		<b>10,819,917</b>	<b>Total Corporate Services</b>	<b>10,987,575</b>
			<b>Strategy, Partnerships and Transformation</b>	
11	HoTCP	3,102,997	Business Support	2,589,208
12	HoPPC	60,313	Equalities and Integration	54,826
		<b>3,163,310</b>	<b>Total Strategy, Partnerships and Transformation</b>	<b>2,644,034</b>
			<b>People Services</b>	
13	HoSC	456,278	Welfare Reform	466,262
		<b>456,278</b>	<b>Total People Services</b>	<b>466,262</b>
		<b>14,439,505</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>14,097,871</b>
			<b>Non Delegated Budgets</b>	
14		970,468	IAS19 (Pensions)	1,154,055
15		7,666,733	Support Service Costs - received from other services	7,426,383
16		(18,203,319)	Support Service Costs - charged to other services	(17,176,662)
17		1,833,720	Asset Charges	1,697,082
		<b>6,707,107</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>7,198,729</b>



**REVENUE BUDGET 2018/2019**  
**DEPUTY LEADER**

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

HoCS,I&ICT	Head of Customer Service, Intelligence and ICT
HoCR	Head of Contractual Relationships
HoES	Head of Electoral Services
HoLG	Head of Law and Governance
HoAP&PM	Head of Assurance, Procurement and Performance Management
HoEF,R&CF	Head of External Finance, Revenues and Commercial Finance
HoHR&OD	Head of HR and OD
HoTCP	Head of Transformational Change Programme
HoPPC	Head of Policy, Partnerships and Communications
HoSC	Head of Strategic Commissioning

**REVENUE BUDGET 2018/2019**  
**CABINET SECRETARY**

**ROLES AND RESPONSIBILITIES**

The Cabinet Secretary provides support and assistance to the Leader with responsibility for all matters relating to the 'People' theme within the Council's outcomes framework and has specific strategic leadership responsibility for the following Portfolios:

- Children and Families
- Health, Housing and Adult Services
- Public Health, Wellness and Culture

The Cabinet Secretary Portfolio has overall responsibility for the efficient, coordinated management and use of all of the Council's financial resources and assets

The Portfolio has specific responsibility for the following activities and functions:

- Budgetary and financial affairs
- Strategic management of council land and buildings
- Port of Sunderland
- Strategic Procurement Champion
- Efficiency Champion
- Risk Management Champion
- Performance management
- Emergency Planning
- Strategic cultural developments

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>Corporate Services</b>				
1	HoAP&PM	2,452,428	Audit, Risk and Assurance	2,521,648
2	HoFM	12,799,375	Corporate Management	12,556,840
3	HoFM	2,177,884	Financial Management	2,082,144
4	HoAP&PM	428,486	Procurement	477,852
5	HoEF,R&CF	270,206	Strategic External Funding Unit	286,310
		<b>18,128,379</b>	<b>Total Corporate Services</b>	<b>17,924,794</b>
<b>Economy and Place</b>				
6	HoPROP	662,682	Asset Management	626,273
7	HoPR	(96,204)	Building Control	(76,722)
8	HoPROP	190,906	Civil Contingencies	197,992
9	HoPR	(150,089)	Development Control	(162,218)
10	HoPROP	(3,755,451)	Miscellaneous Land, Property and Industrial Estates	(4,064,092)
11	HoPR	929,196	Planning Implementation	985,095
12	PD	(201,615)	Port of Sunderland*	(332,211)
13	HoPROP	2,187,215	Repairs and Renewals	2,187,453
14	HoPROP	(291,783)	Retail Market	(283,636)
15	HoPROP	929,599	Security Services	1,060,421
		<b>404,456</b>	<b>Total Economy and Place</b>	<b>138,355</b>
		<b>18,532,835</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>18,063,149</b>
<b>Non Delegated Budgets</b>				
16		(11,220,175)	IAS19 (Pensions)	(11,458,580)
17		8,253,784	Support Service Costs - received from other services	7,893,875
18		(11,588,566)	Support Service Costs - charged to other services	(11,467,585)
19		3,621,128	Asset Charges	3,587,368
		<b>7,599,006</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>6,618,227</b>

**REVENUE BUDGET 2018/2019**  
**CABINET SECRETARY**

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

HoAP&PM	Head of Assurance, Procurement and Performance Management
HoFM	Head of Financial Management
HoEF,R&CF	Head of External Funding, Revenues and Commercial Finance
HoPROP	Head of Property
HoPR	Head of Planning and Regeneration
PD	Port Director

**REVENUE BUDGET 2018/2019  
CHILDRENS SERVICES**

**ROLES AND RESPONSIBILITIES**

The Children's Services Portfolio provides leadership to improve the life chances of children and young people in the City. The portfolio is responsible for leading the city's response to education, skills and training issues and opportunities in order to promote economic and social regeneration.

The portfolio has specific responsibility for the following activities and functions:

- Children's Trust
- Corporate Parenting
- Protecting children, young people and families from harm
- Promoting good health and health awareness in children and young people
- Reduction of child and family poverty
- Safeguarding and Securing the wellbeing of children, young people and families
- School renewal and improvement programmes
- Developing the potential of children and young people through education, training, personal development and preparation for working life
- Promoting the development of skills and capacity which will enable children, young people and families to support and benefit from the city's continuing economic development.

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>People Services</b>				
<b>Educational Attainment and Lifelong Learning</b>				
1	DoCS	74,189,241	DSG and Other Grant – Schools	75,564,049
2	DoCS	1,569,022	DSG and Other Grant – Central School Services	1,598,974
3	DoCS	17,464,467	DSG Early Years Block	18,290,644
4	DoCS	15,985,572	DSG High Needs Block	16,892,496
5	DoCS	(110,264,302)	DSG and Other School Grants	(112,926,163)
6	DoCS	1,897,944	Retained Activity – Schools and Learning	1,964,011
7	DoCS	(50,200)	Special Educational Needs Grant	(50,200)
8	HoPROG	7,532	Trading Operations - Connexions Hub	(1,302)
		<b>799,276</b>	<b>Total Educational Attainment and Lifelong Learning</b>	<b>1,332,509</b>
<b>Early Help</b>				
9	DoCS	152,896	Parent Partnership	156,935
		<b>152,896</b>	<b>Total Early Help</b>	<b>156,935</b>
10	HoE	533,828	Trading Operations - Derwent Hill*	193,237
11	DoCS	49,826,590	Together for Children	52,663,590
12	DoCS	33,991	Director of Children's Services	34,958
		<b>51,346,581</b>	<b>Total Peoples Services</b>	<b>54,381,229</b>
<b>Strategy, Partnerships and Transformation</b>				
13	DoCS	263,458	Sunderland Safeguarding Children's Board	267,909
		<b>263,458</b>	<b>Total Strategy, Partnerships and Transformation</b>	<b>267,909</b>
		<b>51,610,039</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>54,649,138</b>
<b>Non Delegated Budgets</b>				
14		1,856,793	IAS19 (Pensions)	2,289,888
15		1,303,807	Support Service Costs - received from other services	1,249,157
16		(376,358)	Support Service Costs - charged to other services	(879,131)
17		10,297,868	Asset Charges	10,207,271
		<b>64,692,149</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>67,516,323</b>

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**REVENUE BUDGET 2018/2019  
CHILDRENS SERVICES**

**PORTFOLIO GLOSSARY**

DoCS	Director of Children's Services
HoPROG	Head of Programmes
HoE	Head of Events

**REVENUE BUDGET 2018/2019**  
**HEALTH, HOUSING AND ADULT SERVICES**

**ROLES AND RESPONSIBILITIES**

The Health, Housing and Adult Services portfolio provides leadership and support for the Council and its partners in securing the social and health care of all adults. The Portfolio also provides leadership in ensuring that the Council's strategic and statutory roles in relation to housing are met and deliver the homes that meet the current and future needs of the City.

The Portfolio has specific responsibility for the following activities and functions:

- Adult social care services
- Strategic partnership with the health community of Sunderland
- Mental health commissioning
- Supporting people including people with disabilities
- Supporting carers
- Promotion of Decent Homes and good housing standards in private sector housing
- Specialist housing support services and provision
- Housing renewal
- Strategic relationships with Registered Social Landlords and private sector housing providers
- Homelessness and Housing Advice.

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>People Services</b>				
1	HoSC	448,249	Access to Housing	410,721
2	HoSC	507,760	Housing Related Support	0
3	HoP	46,467,462	Adult Social Care, including Older People, People with Physical, Learning and Mental Health Disabilities	42,673,321
4	HoSC/HoPROG	26,468,584	Strategic Commissioning	26,270,476
		<b>73,892,055</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>69,354,518</b>
<b>Non Delegated Budgets</b>				
5		776,153	IAS19 (Pensions)	959,655
6		32,661,610	Support Service Costs - received from other services	32,906,284
7		(26,768,133)	Support Service Costs - charged to other services	(26,655,236)
8		251,003	Asset Charges	230,408
		<b>80,812,688</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>76,795,629</b>

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

HoSC	Head of Strategic Commissioning
HoP	Head of Personalisation
HoPROG	Head of Programmes

**REVENUE BUDGET 2018/2019**  
**PUBLIC HEALTH, WELLNESS AND CULTURE**

**ROLES AND RESPONSIBILITIES**

The Public Health, Wellness and Culture Portfolio leads partners to achieve improvements in public health, health awareness and wellness in the city. The portfolio has responsibility to develop and promote the cultural strategy and initiatives.

The Portfolio has specific responsibility for the following activities and functions:

- Promotion of Public Health and Wellness
- Effective transition of public health responsibilities to the City Council
- Transformational approach to the achievement of improved health and wellbeing outcomes
- WHO EuroHealthy City Network
- Health awareness
- Healthy lifestyles
- Healthy environment
- Sports and Wellness initiatives and facilities
- Tourism, Resorts and Events

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>People Services</b>				
1	HoPROG	155,327	Arts and Creative Development	66,818
2	HoE	616,118	Community Sports and Physical Activity Development	647,858
3	HoE	854,775	Events	868,951
4	HoPROG	60,856	Grants to Community Projects and Miscellaneous Contributions	60,856
5	HoPROG	122,659	Heritage	129,911
6	HoPROG	806,087	Libraries	807,300
7	HoPROG	944,588	Museums and Archives Service	631,371
8	HoPROG	55,000	Resorts	52,500
9	HoE	1,189,863	Sport and Leisure Facilities	1,237,494
10	HoPROG	308,969	Theatre	327,536
11	DoPH	(5,221,246)	Public Health	(4,604,246)
		<b>(107,004)</b>	<b>Total People Services</b>	<b>226,349</b>
<b>Strategy, Partnerships and Transformation</b>				
12	HoPPC	49,282	Tourism	49,282
		<b>49,282</b>	<b>Total Strategy, Partnerships and Transformation</b>	<b>49,282</b>
		<b>(57,722)</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>275,631</b>
<b>Non Delegated Budgets</b>				
13		253,964	IAS19 (Pensions)	229,882
14		7,224,545	Support Service Costs - received from other services	6,546,688
15		(948,671)	Support Service Costs - charged to other services	(1,022,192)
16		1,952,532	Asset Charges	1,930,599
		<b>8,424,648</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>7,960,608</b>

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**REVENUE BUDGET 2018/2019**  
**PUBLIC HEALTH, WELLNESS AND CULTURE**

**PORTFOLIO GLOSSARY**

HoPROG	Head of Programmes
HoE	Head of Events
DoPH	Director of Public Health
HoPPC	Head of Policy, Partnerships and Communications



**REVENUE BUDGET 2018/2019  
CITY SERVICES**

**ROLES AND RESPONSIBILITIES**

The City Services Portfolio has responsibility for ensuring that the council and its partners succeed in making the city attractive and accessible for all. The Portfolio provides leadership for the council and its partners to ensure that the local environment is well managed and meets customer expectations.

The portfolio has specific responsibility for the following activities and functions:

- Management of Place
- Neighbourhood environmental services and street scene
- Highways, traffic and transportation
- Highways maintenance
- Strategic transport
- Parking and road safety
- Facilities management
- Registrars, cemeteries and crematoria
- Play Provision and urban games
- Grounds and building maintenance
- Waste Management including strategy, refuse collection and recycling
- Coastal Protection
- Seafront management
- Licensing, licensing regulation and Controlled Drinking Zones
- Trading Standards
- Public and environmental health

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
<b>Economy and Place</b>				
1	HoPM	(2,083,131)	Bereavement	(2,331,172)
2	HoPM	824,079	Building Cleaning	956,980
3	HoPM	(49,249)	Building Services*	(21,464)
4	HoPM	28,106	Civic Catering	50,406
5	HoPM	1,253,027	Civic Centre Management	1,257,649
6	HoPM	680,913	Coroners Court	698,532
7	HoPM	550,097	Depots	538,803
8	HoPM	4,314,425	Fleet	4,101,378
9	Hol&T	1,402,056	Infrastructure and Transportation*	1,217,134
10	Hol&T	(655,605)	Parking Services	(916,075)
11	HoPM	154,918	Public Conveniences	154,313
12	HoPP&RS	860,122	Public Protection and Regulatory Services	801,057
13	HoPM	(118,093)	Registrars	(163,726)
14	HoPM	5,742,600	Local Services	7,310,646
15	HoPM	(587,023)	School Meals	(387,894)
16	Hol&T	6,690,438	Street Lighting	6,599,025
17	HoPM	1,006,085	Waste Collection and Recycling	1,002,172
18	HoPM	9,746,619	Waste Disposal	9,621,352
<b>29,760,384</b>			<b>TOTAL DELEGATED BUDGET</b>	<b>30,489,116</b>
<b>Non Delegated Budgets</b>				
19		1,333,222	IAS19 (Pensions)	1,372,563
20		14,732,280	Support Service Costs - received from other services	14,395,919
21		(13,386,449)	Support Service Costs - charged to other services	(12,775,795)
22		8,644,223	Asset Charges	8,247,786
<b>41,083,660</b>			<b>TOTAL PORTFOLIO BUDGET</b>	<b>41,729,589</b>

**REVENUE BUDGET 2018/2019  
CITY SERVICES**

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

HoPM	Head of Place Management
Hol&T	Head of Infrastructure and Transportation
HoPP&RS	Head of Public Protection and Regulatory Services

**REVENUE BUDGET 2018/2019**  
**RESPONSIVE SERVICES AND CUSTOMER CARE**

**ROLES AND RESPONSIBILITIES**

The Responsive Services and Customer Care Portfolio champions improvement in the responsiveness of services to local needs and customer feedback. The Portfolio provides leadership for the continuing development of area arrangements as a principal means of improving the relevance of services to local communities and circumstances. The Portfolio has responsibility for championing the continuing improvement of customer care policy and practice. The Portfolio is also responsible for developing the community's capacity to engage in the shaping, delivery and review of services and their neighbourhoods and provides leadership for the Council and its partners in order to make Sunderland a safer City.

The Portfolio has specific responsibility for the following activities and functions:

- Responsive Local Service
- Area Committees, Partnerships and Area Boards
- Local Area Plans
- Area Budgets including the Community Chest
- Customer care policy and practice
- Contact Centre and Customer Services Network including Customer Services Centres
- Community development
- Adult and community learning
- Section 17 responsibilities
- Safer Sunderland Partnership
- Anti-social behaviour
- Drugs awareness, prevention and treatment
- Local multi-Agency Problem Solving Groups (LMAPS)
- Community Resilience

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2017/2018 £		Estimate 2018/2019 £
			<b>Corporate Services</b>	
1	HoCS,I&ICT	2,132,206	Customer Service Network	2,083,475
2	HoCS,I&ICT	666,641	Intelligence Hub	672,802
		<b>2,798,847</b>	<b>Total Corporate Services</b>	<b>2,756,277</b>
			<b>Economy and Place</b>	
3	HoPM	(178,225)	Area Facilities	(163,383)
		<b>(178,225)</b>	<b>Total Economy and Place</b>	<b>(163,383)</b>
			<b>Strategy, Partnerships and Transformation</b>	
4	HoMSCP	1,146,638	Area Arrangements	873,926
5	HoPPC	115,546	Safer Communities	94,303
6	HoMSCP	1,676,666	Strategic Initiative Budget / Community Chest Grant	1,676,666
		<b>2,938,850</b>	<b>Total Strategy, Partnerships and Transformation</b>	<b>2,644,895</b>
			<b>People Services</b>	
7	HoPROG	(126,128)	Family, Adult and Community Learning	(126,231)
8	HoPROG	211,984	Anti-Social Behaviour	106,663
		<b>85,856</b>	<b>Total People Services</b>	<b>(19,568)</b>
		<b>5,645,328</b>	<b>TOTAL DELEGATED BUDGET</b>	<b>5,218,221</b>
			<b>Non Delegated Budgets</b>	
9		289,056	IAS19 (Pensions)	314,228
10		2,097,501	Support Service Costs - received from other services	2,079,379
11		(3,386,736)	Support Service Costs - charged to other services	(3,363,037)
12		758,240	Asset Charges	749,739
		<b>5,403,389</b>	<b>TOTAL PORTFOLIO BUDGET</b>	<b>4,998,530</b>

**REVENUE BUDGET 2018/2019**  
**RESPONSIVE SERVICES AND CUSTOMER CARE**

The budget service lines do not include support service costs or other non-delegated costs. As such they do not reflect external reporting requirements which will contain apportionment of support service costs, with the exception of those marked \*.

**PORTFOLIO GLOSSARY**

HoCS,I&ICT	Head of Customer Service, Intelligence and ICT
HoPM	Head of Place Management
HoMSCP	Head of Member Support and Community Partnerships
HoPPC	Head of Policy, Partnerships and Communications
HoPROG	Head of Programmes

## **Revenue Budget and Proposed Council Tax for 2018/2019 and MTFS 2018/2019 to 2020/2021**

### **Supplementary information in support of Appendix B: Saving Proposals 2018/2019 to 2020/2021 completed Equality Analyses**

Please note: references on Equality Analyses refer to Appendix B within Cabinet report

	Page
7.12 <a href="#"><u>Football Association Funding – Parklife Programme</u></a>	2

## Section A - EQUALITY ANALYSIS TEMPLATE

You must complete this in conjunction with reading Equality Analysis Guidance

**Name of Policy/Decision/Project/Activity:**

7.12 Football Association Funding – Parklife Programme

**Date: 11.12.2017**

**Version Number: 1**

**Equality Analysis completed by:**

**Name: Richard Lowes**

**Job title: Active Sunderland Governance Manager**

**Responsible Officer or Group:**

**Name: Victoria French, Head of Events**

**Is the Activity:**

**New/Proposed (X)**

**Changing/Being Reviewed ( )**

**Other ( )**

## Part 1. Purpose and Scope

### Purpose

In this section outline briefly:

- what the policy, decision or activity is and what the intended outcomes/benefits are (linked to the Corporate Outcomes Framework)
- over what period of time the outcomes will be achieved
- why it needs to be implemented or revised
- what populations are affected by the proposal
- who is expected to benefit and how, i.e. young people, older people, carers, BME groups, ward areas/communities, etc
- whether there are any overlaps with regional, sub-regional, national priorities.

### [Further Guidance](#)

In October 2014 a report was published by the FA Commission that examined the need to encourage more participation in football and develop better grassroots facilities. The FA recognise that at grassroots level there is an over-reliance on publicly owned facilities and acknowledge that Council budgets will no longer be available to subsidise the maintenance and provision of football pitches as in previous years. There have been significant budget reductions since 2010 and the Council are still continuing to maintain the quality of pitches.

The aim of the FA programme (Parklife) is to create a new sustainable model for football facilities based around artificial turf pitches (known as 3G's) on identified Hub sites. The fund will provide significant investment and differs from traditional football investment streams, as the FA are keen to see a portfolio approach that provides a citywide solution, rather than a one-off site investment.

Parklife will not only provide opportunities for community participation, but will also provide important access for competitive matches for adults and mini soccer. The city's Playing Pitch Plan (PPP) identifies 48 sites providing grass football pitches in Sunderland which are currently in use, totalling 151 grass

football pitches. Of which 39 pitches are maintained by the City Council. From a quality perspective, 26% of grass football pitches in Sunderland have a quality rating of good. The remaining includes, 64% rated as standard quality and 10% (15 pitches) rated as poor quality.

As part of detailed FA modelling work and in conjunction with the city's PPP there is a need for 16 full size 3G pitches to meet current and future demand across the city. This number of 3G's will be sufficient to meet future demand.

Club consultation and Durham County FA affiliation data identifies that there are 208 football clubs playing competitively in Sunderland during the 2017/18 season, producing a total of 624 football teams.

*Table 2.6: Summary of competitive teams playing in Sunderland*

	Senior		Youth 11v11		Youth 9v9		Mini 7v7	Mini 5v5
	M	F	M	F	M	F		
SUNDERLAND	124	6	101	9	55	5	233	91
<b>Totals</b>	<b>130</b>		<b>170</b>				<b>324</b>	

Through the detailed modelling, the FA, Sport England, Football Foundation and the City Council have identified the following three sites to proceed for



development. All sites have an existing strong football presence and provide a ready-made football market.

Location	Number of 3G's to be Developed	Comments
Community North Sports Complex, Downhill	3	Health and fitness provision will be offered on the site
Ford Quarry, Pallion	3	
Northern Area Playing Fields, Washington	4	

Parklife will attract much needed external funding into the city, realise capital receipts from surplus assets and positively contribute to the Council's revenue budget position.

The 3G's and associated ancillary facilities will offer a high quality experience and provide a safe and welcoming environment for teams, thus encouraging football development programmes to be sustained and grow. Also by adopting a strategic joined up approach to development, this will contribute to encouraging people to become active and in doing so, achieve wider social outcomes. Specifically, the developments will complement the outcomes associated with the city's policy approach to 'All together an Active Sunderland' and improving the standard of pitch provision as identified in the city's Playing Pitch Plan. The Parklife project will be completed in spring/summer 2019 and ready for the 2019/2020 football season.

The 3G's will be operational from 2019 and will benefit in particular the following demographic populations.

- Mini soccer and 9v9 teams with age groups including under 7s, 8s, 9s, 10 years old
- Youth Football Teams aged from 13 to under 18 years of age.
- Adult Football Teams (aged 16+)
- Veteran's Football (over 40's) Teams

- Older people participating in Walking Football

Within the above demographic framework, BME groups and those people with disabilities will also benefit. Parklife will offer more time slots to residents with disabilities (where demand is evident). In addition, the new facilities will be DDA compliant and offer much improved access for both players and spectators. Parklife partners will also contribute with specialist disability support. This work will require consultation with the Tyne and Wear Disability Sport Network and also key groups such as Gateway. Parklife will also offer more time slots to residents from BME communities (where demand is evident).

Women's and Girls football participate through the Russell Foster Youth League and Durham County FA.

## Intelligence and Analysis

Please describe:

- What sources of information have been used to inform this assessment/analysis (this should include but is not limited to consultations, resident/service user feedback and statistical data and intelligence)
- **What the information is telling you** – this should be broken down by each of the protected characteristics or other identified groups which could be disadvantaged. Each of the aims of the equality act should be considered in relation to each of the protected characteristics.

## [Further Guidance](#)

The city approach towards an Active Sunderland is aligned and compliments the work that has already commenced with regards to Green Infrastructure and outdoor sporting activities. It is recognised that the work within these approaches will have a greater impact on people, place, partners and outcomes as a result of the significant levels of synergy between the approaches. It should be noted that limited data is available for protected characteristics relating

to football.

Sunderland, in common with the rest of the North East region has relatively low, static levels of participation in physical activity and sport when compared with the national position. Sport England's Active Lives Survey 2016-17 show that participation levels are as follows:

<b>Active Lives Survey</b>	<b>Inactive</b> Less than 30mins per week		<b>Fairly Active</b> 30-149 mins per week		<b>Active</b> At least 150mins per week	
	<b>2015-16</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2016-17</b>
Sunderland	26.7%	29.2%	11.0%	14.3%	62.3%	56.5%
England	22.0%	25.1%	12.6%	14.6%	65.4%	60.3%

The data is telling us that Sunderland residents (16+) are more inactive and less active in comparison to the England average.. In addition to high levels of inactivity, the city continues to have challenges as they relate to obesity, health inequalities, skills and attainment.

The Active People Survey results (below) tells us that there are differences in participation levels between gender, age, those with disabilities and BME groups. Note - the Active People Survey has now been replaced with the Active Lives Survey and no local information is available as yet. The new Active Lives Survey as yet, does not drill down into this level of data at a local level.

(alphabetical)	APS9 Q1 to APS10 Q4 (October 2014 - September 2016)																	
	Gender				Age Band						Limiting illness or disability				ETHNIC GROUP			
	MALES		FEMALE		16 to 34		35 to 54		55 +		Yes		No		WHITE		BME	
	%	Base	%	Base	%	Base	%	Base	%	Base	%	Base	%	Base	%	Base	%	Base
Sunderland	29.0%	410	15.1%	607	30.5%	97	20.7%	248	15.6%	672	6.7%	284	25.8%	733	21.9%	984	16.3%	23

Sport England have evidenced that there is a link between deprivation and inactivity. In order to show local deprivation, the Census data from 2011 has been interrogated for the wards relating to the Hub locations. Please see below the outcomes that show significant deprivation (upper 10% national ranks) in Downhill and Ford Quarry.

## Sunderland Census Intelligence 2011

Measure	Downhill National Rank as Percentile	Ford Quarry National Rank as Percentile	Washington National Rank as Percentile
Index of Multiple Deprivation	Upper 10%	10% - 20%	30% - 50%
IMD Percentile per LSOA	Upper 10%	10% - 20%	40% - 50%
Income Deprivation Domain	Upper 10%	Upper 10%	50% - 100%
Health Deprivation and Disability Domain	Upper 10%	Upper 10%	10% - 20%
Employment Deprivation Domain	Upper 10%	Upper 10%	20% - 30%
Education, Skills and Training Deprivation Domain	10% - 20%	10% - 20%	30% - 50%
Crime Domain	30% - 50%	50% - 100%	50% - 100%
Percentage of Population with limited daily activity	20%–30% of population (ward)	20%–30% of population (ward)	12.5%-20% of population (ward)
Proportion of Households within Each LSOA without access to a car/van	50% - 60% (ward)	50%-60% (ward)	30% - 40% (ward)
Distribution of People with a Non-White Ethnicity per LSOA Populas	0.3% - 1.5% (ward)	0.3% - 1.5% (ward)	2.9% - 4.6% (ward)
<b>General Comments</b> Two of the areas identified for the Hubs (Sunderland West - Ford Quarry) and Washington – Northern Area) have higher levels of social housing (30%) than the city average. The area based information available on the Sunderland Council website reports North Sunderland – Community North as having a wide range of well used health services and agencies but despite this there are barriers to residents in more deprived areas accessing information and advice about healthy lifestyles. Washington, whilst relatively affluent in some areas has some significant areas of deprivation in particular in some of the coalfields areas. West Sunderland has reported high levels of child poverty. Sunderland, through its “City Approach Towards an Active Sunderland” believes that increasing opportunities to be active will make a positive contribution not only to health and wellbeing, but also the wider social and economic shared objectives of the council and its partners.			

Consultation regarding Parklife has been undertaken with

- Key partners, Durham County FA, University, College, Foundation of Light, Russell Football Youth League, Adult Football League Reps
- All clubs were invited in August 2017 to an engagement session to be updated on the project and invited to submit and EOI to be partners

## Gaps in intelligence and information

Having analysed the information available to you:

- are there any gaps in intelligence or areas where understanding needs to be improved? Please describe what these are and what actions you intend to take to obtain/improve the information. These actions should be covered in the action plan.
- are there any groups who should be expected to benefit who do not? Please describe why not and whether you will amend the decision to change this outcome. This should also be covered in the action plan.

### [Further Guidance](#)

Gaps in information exist in understanding who is participating in football, from certain key characteristics eg. BME groups, those with disabilities

In addition the new Active Lives Survey only provides data a city level and not locally.

## Additional Impacts

The policy or action may also have an impact on other groups or individuals which are not covered by statutory requirements. Please outline any additional individuals or groups which have not already been covered. This could include socio-economic groups, voluntary and community sector, carers or specific communities which face additional challenges (such as former coal mining areas or areas of high deprivation)

As part of the Parklife programme the Council need to show how wider outcomes can be achieved in relation to Sport England and DCMS outcomes. The table below shows what social outcome must be achieved. These outcomes will be driven forward by the local partner clubs operating from the new Hub sites (via football development programmes), the appointed Hub operator and city partners such as the Foundation of Light, Sunderland University and Sunderland College.

Our Social Outcome	City Priorities	Sport England		DCMS				
		SE KPI 1 Increase in Sport / PA	SE KPI 2 Reduce inactivity	DCMS 1 Physical Wellbeing	DCMS 2 Mental Wellbeing	DCMS 3 Individual Development	DCMS 4 Social and Community Development	DCMS 5 Economic Development
Reduce levels of <b>physical inactivity</b>	• Active Sunderland Policy Position	✓	✓	✓	✓	✓	✓	✓
Encourage opportunities for <b>Active Travel</b>	• Active Sunderland Policy Position • Low levels of car ownership	✓	✓	✓	✓			
Reduce levels of <b>child obesity</b>	• City Public Health Priority	✓	✓	✓	✓	✓	✓	✓
Reduce levels of <b>smoking</b>	• Health & Wellbeing Priority 2017-19	✓	✓	✓		✓		
Reduce levels of <b>alcohol consumption</b>	• Health & Wellbeing Priority 2017-19	✓	✓	✓		✓		
Reduce levels of <b>income deprivation</b> (incl. children and those with disabilities)	• Census profile data 2011	✓	✓	✓	✓	✓	✓	✓
A healthy economy - More <b>apprenticeship opportunities</b>	• Health & Wellbeing Priority 2017-19 • A National and City Priority	✓	✓		✓	✓		✓
A healthy economy - More opportunities for <b>education, skills and training</b>	• Health & Wellbeing Board Priority 2017-19	✓	✓		✓	✓		✓
Reduce <b>crime</b> levels and the fear of crime	• Census profile data 2011	✓	✓				✓	

## Part 2. Analysis of Impact on People

In this section you must **review the intelligence described above and summarise the intended and potential impact of the policy, decision or activity** on the people of Sunderland. This includes specific consideration of the impact on individuals, groups with protected characteristics and communities of interest within the city. Please briefly outline any positive, neutral or negative impacts on the specific groups below. Please note that any negative impacts should have a corresponding action in the action plan in the page below.

In this assessment it is important to remember the **Council is required to give due regard to:**

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

**Each of these aims must be summarised in turn in relation to the groups outlined below.**

[Further Guidance](#)

Characteristic	List of Impacts		
	Positive	Neutral	Negative
Age	More opportunities will be available for all age groups. This is the result of more programming on the 3G Hub sites, longer opening hours (in the winter) and floodlights. Partner clubs will have football development plans in relation to increasing participation levels.	The potential closure of some grass pitches may reduce opportunities for informal play. This will be mitigated by inclusive sports development plans and the promotion of informal kick about areas.	Not applicable



Disability	Parklife will offer more available to those with disabilities and also programme sessions (where demand is evident). In addition, the new facilities will be DDA compliant and offer much improved access for both players and spectators. Parklife partners will also contribute with specialist disability support. This work will require consultation with the Tyne and Wear Disability Sport Network and also key groups such as Gateway.	The change impacts across all characteristic groups equally	
Gender/Sex	Identified in the Football Association's National Games Strategy 2015-2019 they have identified an 11% increase in female participation figures nationally. Women's and Girls football will be a priority for the new Hub sites in Sunderland	The change impacts across all characteristic groups equally	There are no known negative impacts
Marriage & Civil Partnership	As above	The change impacts across all characteristic groups equally	There are no known negative impacts
Pregnancy and maternity	As above	The change impacts across all characteristic groups equally	There are no known negative impacts
Race/Ethnicity	Parklife will offer more time slots to residents from BME communities (where	The change impacts across all characteristic groups equally	

	demand is evident).		
Religion/belief	As above	The change impacts across all characteristic groups equally	There are no known negative impacts
Sexual Orientation	As above	The change impacts across all characteristic groups equally	There are no known negative impacts
Gender identity	As above	The change impacts across all characteristic groups equally	There are no known negative impacts

**Please add any additional groups mentioned in the “additional impacts” section above.**

### Part 3. Response to Analysis, Action Plan and Monitoring

In this section please outline what actions you propose to take to minimise the negative, and maximise the positive, impacts that have been identified through the analysis. By considering and implementing these actions the policy or action can be refined to make sure that the greatest benefits are achieved for the people of Sunderland. The performance monitoring process should also be set out to explain how ongoing progress is going to be followed to make sure that the aims are met.

From the analysis four broad approaches can be taken, (No major change; continue with the policy/action despite negative implications; adjust the policy/decision/action; or stop the policy/action). Please indicate, using the list below, which is proposed.

No Major Change ( X )

Continue Despite Negative Implications ( )

Adjust the Policy/Decision/Project/Activity ( )

Stop ( )

#### Action Plan

[Further Guidance](#)

ACTION	WHO	WHEN	MONITORING ARRANGEMENTS
Where grass pitches will be lost there will be a dedicated football development plan in place to mitigate the loss. Since 2014 the Council have also undertaken a programme of installing informal kick around areas in localities.	The appointed Hub site operator	2019-2022	The Local Football Trust (to be established as part of accepting the FA's Parklife funding)
Consider data collection methods relating to who is using the Hub locations, particularly relating to protected characteristics	The appointed Hub site operator	2019 onwards	The Local Football Trust



## EQUALITY ANALYSIS

You must complete this in conjunction with reading Equality Analysis Guidance

**Name of Policy/Decision/Project/Activity:**

Proposed Council Tax Increase

Date: 30/01/2018

Version Number: v1

Equality Analysis completed by:

Name/Job title: James Magog (Chief Accountant)

Responsible Officer or Group:

Name/Job title: Barry Scarr (Executive Director of Corporate Services)

Is the Activity:

New/Proposed ( )

Changing/Being Reviewed ( )

Other (x )

## 1. Purpose and scope

### Purpose

In this section outline briefly:

- what the policy, decision or activity is and what the intended outcomes/benefits are (linked to the Corporate Outcomes Framework)
- over what period of time the outcomes will be achieved
- why it needs to be implemented or revised
- what populations are affected by the proposal
- who is expected to benefit and how, i.e. young people, older people, carers, BME groups, ward areas/communities, etc
- whether there are any overlaps with regional, sub-regional, national priorities.

Council Tax raises circa 14% of total council income. It goes towards providing a wide range of services to the people of Sunderland and 2016/17 was the first increase since the 2010/2011 financial year. The current Band D council Tax in Sunderland in respect of the Council is £1,295. The council tax paid to Sunderland City Council is the lowest in both Tyne and Wear (average £1,459) and the wider North East region (average £1,461), and compares favourably to the metropolitan council average.

The proposed 4.99% increase, inclusive of the social care precept, is allowable without contravening the government imposed referendum limit. The increase will add £1.24 per week to band D properties or 83p a week for the majority of households in Sunderland who are in a Band A property. It will raise £4.36m that will be used to provide vital local services, including adult and children's social care.

All Council tax payers will be affected by the increase; however, those on lower incomes are likely to experience a greater impact on their ability to pay. This could disproportionately affect the young, disabled people and low income pensioners. To mitigate this impact, the Council operates a council tax support scheme so enabling some of those affected to claim support. Whilst pensioners entitlement to Council Tax Support is protected, Sunderland's localised scheme entitles claimants of working age who submit a claim for Council Tax Support to receive up to a maximum of 91.5 % reduction in respect of their Council Tax liability depending on their circumstances. None of the protected groups are restricted from claiming council tax support. Their eligibility is determined by their financial and personal circumstances. The current caseload is 33,338 of which 14,400 are pensioners and 18,938 are working age claimants. The impact of the proposed increase equates to an increase of 11p per week for those working age claimants who are in receipt of maximum council tax support in a Band D property, or 7p per week for the majority of households in Sunderland who are of working age and in receipt of maximum council tax support in a Band A property.

However, as the support scheme works on a percentage of council tax, there will still be an impact even for those receiving support

However, the proposed increase has wider benefits in that it avoids further budget cuts, over and above the £16.6m planned, so preserving services, including within adult and children's social care.

## Intelligence and Analysis

Please describe:

- What sources of information have been used to inform this assessment/analysis (this should include but is not limited to consultations, resident/service user feedback and statistical data and intelligence)
- **What the information is telling you** – this should be broken down by each of the protected characteristics or other identified groups which could be disadvantaged. Each of the aims of the equality act should be considered in relation to each of the protected characteristics.

Statistics show that Sunderland City Council's Council Tax is low in comparison to all comparators. It will remain comparatively low even after this increase.

The budget consultation undertaken late 2016 as part of establishing a three year budget savings plan covering 2016/2017 to 2019/2020 showed that, of those that responded, 58% agreed that an increase within the governments referendum limit would be acceptable, with a further 19% supporting an increase above the referendum limit. It is not clear what the percentage was from minority groups.

## Gaps in intelligence and information

Having analysed the information available to you:

- are there any gaps in intelligence or areas where understanding needs to be improved? Please describe what these are and what actions you intend to take to obtain/improve the information. These actions should be covered in the action plan.
- are there any groups who should be expected to benefit who do not? Please describe why not and whether you will amend the decision to change this outcome. This should also be covered in the action plan.

Not applicable.

## Additional Impacts

The policy or action may also have an impact on other groups or individuals which are not covered by statutory requirements. Please outline any additional individuals or groups which have not already been covered. This could include socio-economic groups, voluntary and community sector, carers or specific communities which face additional challenges (such as former coal mining areas or areas of high deprivation)

Not applicable.

## 2. Analysis of impact on people

In this section you must **review the intelligence described above and summarise the intended and potential impact of the policy, decision or activity** on the people of Sunderland. This includes specific consideration of the impact on individuals, groups with protected characteristics and communities of interest within the city. Please briefly outline any positive, neutral or negative impacts on the specific groups below. Please note that any negative impacts should have a corresponding action in the action plan in the page below.

In this assessment it is important to remember the **Council is required to give due regard to:**

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

**Each of these aims must be summarised in turn in relation to the groups outlined below.**

Characteristic	List of Impacts		
	Positive	Neutral	Negative
Age	Benefits will be seen in the ability to protect the adult social care budget.	There is no significant impact, relative to other groups. Pensioners will continue to receive support through the Council Tax support scheme, which will significantly mitigate any financial impact.	In a minority of cases, there will potentially be some impact albeit, at a small value.
Disability	Benefits will be seen in the ability to protect the adult social care budget.	There is no significant impact relative to other groups. Disabled people will continue to receive support through the Council Tax support scheme, which will significantly mitigate any financial impact.	In a minority of cases, there will potentially be some impact albeit, at a small value.
Gender/Sex		There is no significant impact relative to other groups. Whilst woman may be statistically lower earners, there is no evidence of a greater impact from any council tax rise.	
Marriage & Civil Partnership		There is no significant impact relative to other groups.	
Pregnancy and maternity		There is no significant impact relative to other groups.	



Race/Ethnicity		There is no significant impact relative to other groups.	
Religion/belief		There is no significant impact relative to other groups.	
Sexual Orientation		There is no significant impact relative to other groups.	
Gender identity		There is no significant impact relative to other groups.	

Please add any additional groups mentioned in “additional impacts” above to this table.

### 3. Response to Analysis, Action Plan and Monitoring

In this section please outline what actions you propose to take to minimise the negative, and maximise the positive, impacts that have been identified through the analysis. By considering and implementing these actions the policy or action can be refined to make sure that the greatest benefits are achieved for the people of Sunderland. The performance monitoring process should also be set out to explain how ongoing progress is going to be followed to make sure that the aims are met.

From the analysis four broad approaches can be taken, (No major change; continue with the policy/action despite negative implications; adjust the policy/decision/action; or stop the policy/action). Please indicate, using the list below, which is proposed.

No Major Change ( x )

Continue Despite Negative Implications ( )

Adjust the Policy/Decision/Project/Activity ( )

Stop ( )

#### Action Plan

ACTION	WHO	WHEN	MONITORING ARRANGEMENTS
Monitor the impact through payment and arrears statistics	Sharon Holden (Revenues Manager)	Quarterly	As part of routine Council Tax performance monitoring

