

CIVIC CENTRE,  
SUNDERLAND  
22 February 2016

**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 2 MARCH 2016 at 2.00 p.m.** at which it is proposed to consider and transact the following business:-

<b>Item</b>	<b>Page</b>
1. To read the Notice convening the meeting.	-
2. To approve the minutes of the ordinary meeting of the Council held on 27 January 2016 (copy herewith).	1
3. Receipt of Declarations of Interest.	-
4. Announcements (if any) under Rule 2(iv).	-
5. Apologies.	-
6. Report of the Cabinet.	15
(i) Capital Programme 2016/2017 and Treasury Management Policy and Strategy 2016/2017, including Prudential Indicators for 2016/2017 to 2018/2019	
(ii) Revenue Budget and Proposed Council Tax for 2016/2017 and Medium Term Financial Strategy 2016/2017 to 2019/2020	
(iii) Determination of Council Tax 2016/2017	

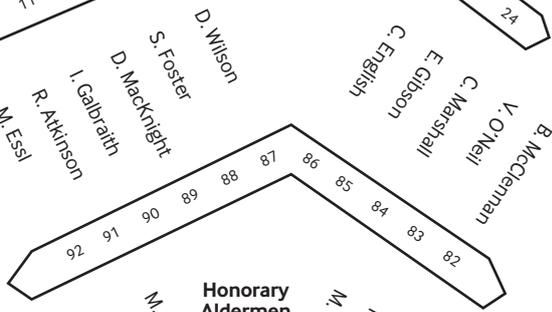
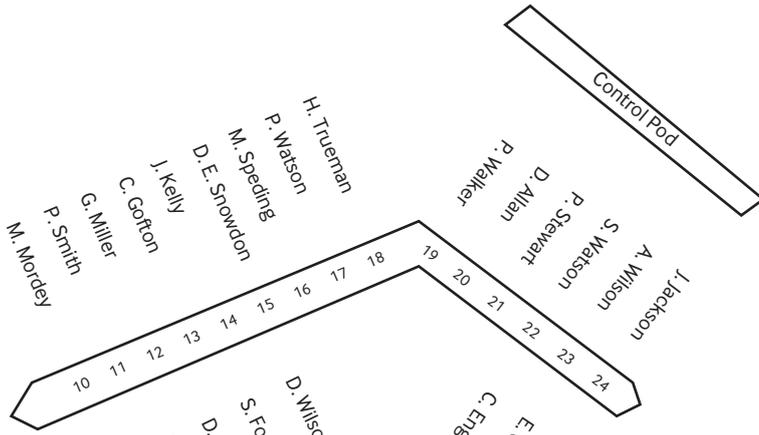
7. To consider the under-mentioned report:-

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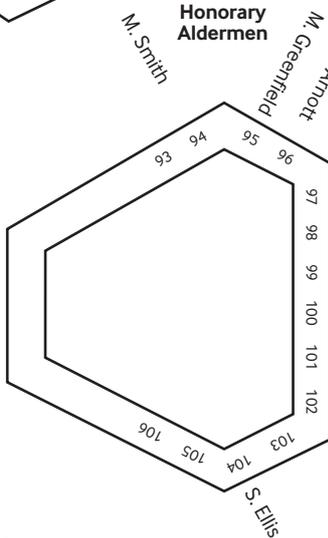
- (i) Appointments – (i) New Local Authority Trading Company for Place Management Services (ii) Sunderland Care and Support (Holding Company) Limited and Sunderland Care and Support Limited (copy herewith).

A handwritten signature in cursive script, appearing to read 'S. Toynall'.

**INTERIM HEAD OF PAID SERVICE**



**Honorary Aldermen**

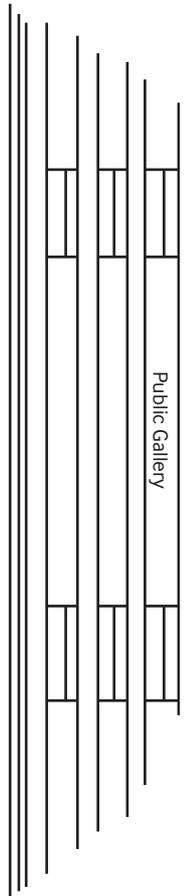
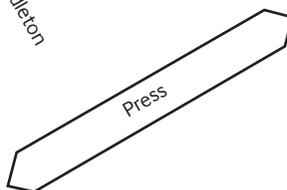
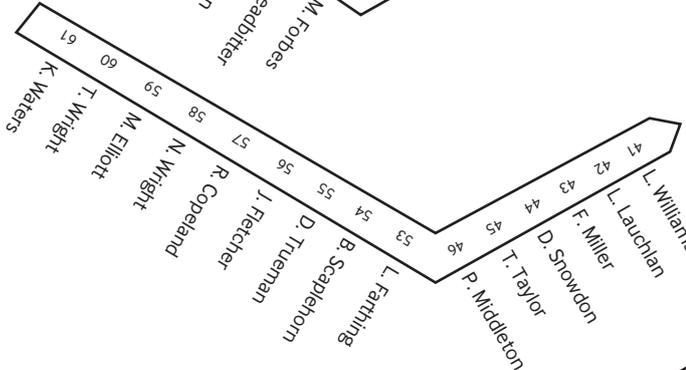
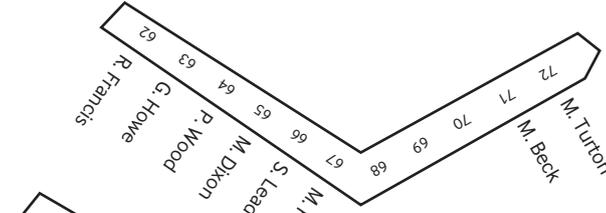
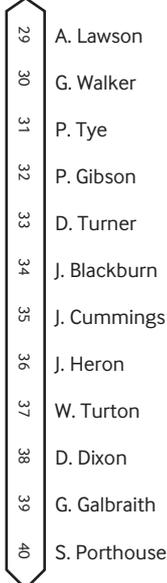
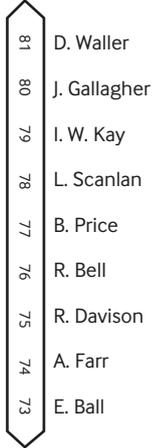
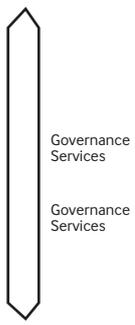


Head of Law and Governance  
E. Waugh

Mayor  
B. Curran

Head of Paid Service  
S. Tognarelli

Deputy Mayor  
A. Emerson





# ***Minutes***



## Sunderland City Council

At a meeting of SUNDERLAND CITY COUNCIL held in the CIVIC CENTRE on WEDNESDAY 27 JANUARY 2016 at 6.00pm.

**Present:** The Mayor (Councillor Curran) in the Chair

Councillors	Allen	Forbes	Marshall	Taylor
	Atkinson	Francis	McClennan	Trueman, D
	Ball	Galbraith, G	Middleton	Trueman, H
	Beck	Galbraith, I	Miller, F	Turner
	Bell	Gibson, E	Miller, G	Turton, M
	Blackburn	Gibson, P	Mordey	Tye
	Copeland	Gofton	O'Neil	Walker, G
	Cummings	Heron	Price	Walker, P
	Dixon, D	Howe	Scaplehorn	Waters
	Dixon, M	Jackson	Smith, D	Watson, P
	Elliott	Kay	Smith, P	Williams
	Ellis	Kelly	Snowdon, D	Wilson, A
	Essl	Lauchlan	Snowdon, D E	Wood
	Farthing	Lawson	Speding	Wright, N
	Fletcher	Leadbitter	Stewart	Wright, T H

Also Present:-

Honorary Aldermen Michael Arnott and Mark Greenfield

The notice convening the meeting was read.

### Minutes

29. RESOLVED that the minutes of the Meeting of the Council held on 25 November 2015 be confirmed and signed as a correct record subject to amendments to show that Councillor Fletcher and Lawson had submitted apologies to the meeting and to correct the spelling of Honorary Alderman Arnott's name.

### Declarations of Interest

The following Councillors declared an interest as follows: -

Item 7 – Report of the Cabinet: Revenue Budget 2016/2017 Proposals and Provisional Revenue Support Settlement 2016/2017	Councillors Fletcher, Lawson and A Wilson	Directors of Sunderland Care and Support Limited
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Item 9 – Written Questions: Councillor Speding  
City Centre  
Redevelopment

Council Representative on  
Siglion LLP

The following declaration was made and Councillors Kay and McClennan left the Council Chamber during consideration of the item: -

Item 10 – Notices of  
Motion: (ii) European  
Union

Councillor Kay

Contracted to carry out work on  
behalf of the European  
Commission

Councillor McClennan

Husband is contracted to carry  
out work on behalf of the  
European Commission

## **Announcements**

### **Bronze Food for Life Catering Mark**

At the invitation of the Mayor, Councillor Mordey informed Members that the Council's School Meals Service had been awarded the Bronze Food for Life Catering Mark by the Soil Association in recognition for consistently providing fresh, healthy, locally sourced school meals.

The service provided meals in 83 primary, special and nursery schools across the city, serving meals to more than 13,000 children a day and this annual, national award recognised the Council's commitment to producing fresh, nutritious food using locally sourced produce from suppliers who met UK animal welfare standards.

The award also ensured that school meals were prepared fresh on a daily basis and met the Government guidelines for food and nutrition. The Food for Life Catering Mark provided further assurance as to the quality of the Council's school meal service to schools, parents and children across the city.

## **Reception of Petitions**

30. 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 Francis – Petition from residents of Dene Lane, Fulwell to request that Dene Lane be included within the Community Parking Management Scheme – Executive Director of Commercial Development.

Councillor Francis – Petition from residents of Grasmere Crescent, Honister Drive, Kirkstone Avenue and Rydal Mount to express support for the Community Parking Management Scheme – Executive Director of Commercial Development.

## **Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillors Allan, Davison, Emerson, English, Farr, Foster, Gallagher, MacKnight, Porthouse, Scanlan, W Turton, Waller, S Watson and D Wilson and from Honorary Alderman Mary Smith.

## **Report of the Cabinet**

The Cabinet reported and recommended as follows: -

### **1. Annual Audit Letter 2014/2015**

That they have submitted for consideration by Council a report of the Interim Head of Paid Service and Director of Finance on the Annual Audit Letter from the external Auditors Mazars, covering the year 2014/2015 together with a copy of the Audit Letter which summarises findings from the audit of the Council's financial statements and the results of the external auditor's work undertaken as part of the assessment of the Council's arrangements for securing value for money in its use of resources.

Accordingly the Cabinet recommended the Council to note the contents of the report.

### **2. Council Tax Base 2016/2017**

That they have given consideration to a report of the Director of Finance seeking approval to the calculation of the Council Tax Base for 2016/2017 in accordance with the Local Government Finance Act 1992 and recommended to Council that:-

- (i) The report for the calculation of the Tax Bases for the City Council and Hetton Town Council for 2016/2017 be approved.
- (ii) That 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) (Amendment) (England) Regulations 2012 the amount calculated by Sunderland City Council as its Council Tax Base for the year 2016/2017, shall be £67,556 and for the area of Hetton Town Council shall be £3,451.

### **3. Revenue Budget 2016/2017 Proposals and Provisional Revenue Support Settlement 2016/2017**

That they have given consideration to a report of the Interim Head of Paid Service and Director of Finance on the provisional budget proposals 2016/2017 and provisional Revenue Support Settlement, as a basis for the continuation of consultation, prior to the receipt of the final Local Government Finance Settlement.

They also referred the report to the Scrutiny Committee for further advice and consideration. The Scrutiny Committee resolved that it was satisfied with the information provided on the Revenue Budget Proposals and Revenue Support Settlement. The Committee recognised the difficult financial situation that the Council was facing and wished to acknowledge the work of Members and Officers and in particular that of the Finance Team in preparing the provisional budget proposals.

Accordingly the Cabinet recommended the Council to approve the provisional budget proposals, as a basis for the continuation of budget consultation, prior to the receipt of the final Local Government Finance Settlement 2016/2017.

#### **4. Capital Programme - Third Capital Review 2015/2016, Provisional Resources 2016/2017 and Treasury Management Review 2015/2016**

That they have given consideration to a report of the Director of Finance which detailed the re-profiling of projects since the Second Capital Review for 2015/2016 was approved in October 2015, the inclusion of additional schemes and revisions to costs and resourcing for 2015/2016 since the Second Capital Review was reported, the allocation of capital resources for 2016/2017 subject to any adjustments required when final resource announcements are made, and the progress in implementing the Treasury Management Strategy for 2015/2016.

They referred the report to the Scrutiny Committee to note the variation to the Capital Programme 2015/2016 with an estimated cost variance of £250,000 or more, details of which are set out in the attached extract Appendix A. The Scrutiny Committee resolved that it was satisfied with the capital budget scheme variations and had no additional comment to make.

Accordingly, the Cabinet recommended the Council to note the variation to the Capital Programme for 2015/2016.

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

That they have given consideration to a report of the Director of Finance on an update on the consultation results for the Local Council Tax Support Scheme and to recommend that the Local Council Tax Support Scheme set out in the report be implemented with effect from 1 April 2016.

Accordingly, the Cabinet recommended the Council to:-

- (i) Consider feedback received during the consultation period from the public,
- (ii) Approve the Council's Local Council Tax Support Scheme as set out in the report for the financial year 2016/17, which is unchanged from the current scheme, and
- (iii) Authorise the publication of the approved Scheme on the council's website and in any additional manner determined by the Director

of Finance in consultation with the Leader of the Council and Cabinet Secretary.

## **6. Anti-Social Behaviour, Crime and Policing Act 2014**

That they have given consideration to a joint report of the Assistant Chief Executive, the Executive Director of Commercial Development and the Head of Law and Governance on the new powers available to the Council and other bodies under the Anti-Social Behaviour, Crime and Policing Act 2014 (the Act), the authorisation of officers to exercise powers under the Act, including the issue of fixed penalty notices and to set the level of the fixed penalty notices.

The Cabinet authorised the use of the full range of powers available under the Act as set out in the Report and also agreed that the level of the fixed penalty notices issued under Section 52 and 68 of the Act be set at £75 (discounted to £50 if paid within 10 days).

Accordingly, the Cabinet recommended the Council to authorise the Head of Law and Governance, in consultation with the Leader, to amend the Constitution to reflect the delegation of functions set out in paragraph 8 of the Report and to make such other consequential amendments as are appropriate.

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

Upon the report of the Cabinet being put to the Council it was:-

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

## **Report of the Scrutiny Committee**

The Scrutiny Committee reported and recommended as follows:-

### **Review of Scrutiny Arrangements and Next Steps**

That they have submitted for consideration by Council a joint report of the Chairman of the Scrutiny Committee and the Head of Scrutiny and Area Arrangements on a proposed new scrutiny structure and operating model following an independent review of the Council's scrutiny arrangements undertaken by the Centre for Public Scrutiny.

The Scrutiny Committee gave consideration to the report at its meeting held on 3 December 2015 and the following points were highlighted:-

- i) Consideration be given to an amendment to the proposed membership of the Scrutiny Co-ordinating Committee, (as detailed in Appendix one of the report), to provide for the inclusion of the Vice Chairs of the three thematic Scrutiny Committees resulting in the following membership:-

Chairman  
Vice Chairman  
3X Thematic Chairman  
3X Thematic Vice Chairman  
6 Scrutiny Members  
(Total = 14 Members)

- ii) Consideration be given to the power to appoint co-opted member(s) to the Scrutiny Co-ordinating Committee

Accordingly the Scrutiny Committee recommends to Council that subject to i) and ii) above, approval be given to the proposed new model for Scrutiny as detailed in paragraph 5 and appendix 1 of the report, to be implemented from the start of the municipal year 2016/17.

Councillor M Dixon, duly seconded by Councillor Wood, moved that the report be referred back to the Committee for further consideration.

Upon being put to the vote, the reference back was defeated with 8 members voting in favour: -

Councillors	Allen Dixon, M	Forbes Francis	Howe Leadbitter	Smith, D Wood
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52 Members voting against: -

The Mayor (Councillor Curran)

Councillors	Atkinson	Galbraith, G	Middleton	Trueman, D
	Ball	Galbraith, I	Miller, F	Trueman, H
	Beck	Gibson, E	Miller, G	Turner
	Bell	Gibson, P	Mordey	Turton, M
	Blackburn	Gofton	O'Neil	Tye
	Copeland	Heron	Price	Walker, G
	Cummings	Jackson	Scaplehorn	Walker, P
	Dixon, D	Kay	Smith, P	Waters
	Elliott	Kelly	Snowdon, D	Watson, P
	Ellis	Lauchlan	Snowdon, D E	Williams
	Essl	Lawson	Speding	Wilson, A
	Farthing	Marshall	Stewart	Wright, N
	Fletcher	McClennan	Taylor	

Councillor N Wright, duly seconded by Councillor D E Snowdon, moved the report.

Upon the report of the Scrutiny Committee being put to the Council it was:-

32. RESOLVED that the report of the Scrutiny Committee be approved and adopted.

### Written Questions under Rule 8.2

Pursuant to Rule 8.2 of the Council Rules of Procedure, Members of the Council asked questions of the Leader and Members of the Executive.

## Notices of Motion

### (i) Provision for All-Weather Activities at Seaburn and Roker

Councillor Francis, seconded by Councillor Leadbitter, moved the following motion: -

This Council welcomes development at Roker and Seaburn which is in accord with the character of the twin resorts and the wishes of local residents but believes that, to be successful, appropriate provision for all-weather activities needs to be made.

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

Councillors	Allen	Francis	Miller, F	Trueman, D
	Atkinson	Galbraith, I	Miller, G	Trueman, H
	Ball	Gibson, P	Mordey	Turner
	Beck	Gofton	O'Neil	Turton, M
	Bell	Howe	Price	Tye
	Blackburn	Jackson	Scaplehorn	Walker, G
	Copeland	Kay	Smith, D	Walker, P
	Dixon, M	Kelly	Smith, P	Waters
	Elliott	Lauchlan	Snowdon, D	Watson, P
	Ellis	Lawson	Snowdon, D E	Williams
	Essl	Leadbitter	Speding	Wilson, A
	Farthing	Marshall	Stewart	Wood
	Fletcher	McClennan	Taylor	Wright, N
	Forbes	Middleton		

And 6 Members voting against: -

The Mayor (Councillor Curran)

Councillors	Cummings	Galbraith, G	Gibson, E	Heron
	Dixon, D			

Accordingly, it was: -

33. RESOLVED that: -

“This Council welcomes development at Roker and Seaburn which is in accord with the character of the twin resorts and the wishes of local residents but believes that, to be successful, appropriate provision for all-weather activities needs to be made.”

### (ii) European Union

Councillor P Watson, seconded by Councillor H Trueman moved the following motion: -

This Council believes that, it is in the best interests of the residents of the City of Sunderland, that the United Kingdom remains a member of the European Union.

Upon being put to the vote, the motion was carried with 50 Members voting in favour: -

The Mayor (Councillor Curran)

Councillors	Allen	Galbraith, G	Miller, F	Trueman, D
	Ball	Galbraith, I	Miller, G	Trueman, H
	Beck	Gibson, E	Mordey	Turner
	Bell	Gibson, P	O'Neil	Turton, M
	Blackburn	Gofton	Price	Tye
	Copeland	Heron	Scaplehorn	Walker, G
	Cummings	Jackson	Smith, P	Walker, P
	Dixon, D	Kelly	Snowdon, D	Waters
	Elliott	Lauchlan	Snowdon, D E	Watson, P
	Ellis	Lawson	Speding	Williams
	Essl	Marshall	Stewart	Wilson, A
	Farthing	Middleton	Taylor	Wright, N
	Fletcher			

3 Members voting against: -

Councillors	Forbes	Howe	Leadbitter
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And 4 Members abstaining: -

Councillors	Dixon, M	Francis	Smith, D	Wood
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Accordingly it was: -

34. RESOLVED that: -

“This Council believes that, it is in the best interests of the residents of the City of Sunderland, that the United Kingdom remains a member of the European Union.”

### **(iii) Severe Weather**

Councillor Mordey, seconded by Councillor M Turton moved the following motion: -

This Council places on record its thanks and appreciation to all the emergency services, council staff and City residents – for everything they did in assisting their communities during the recent atrocious weather.

We would also like to place on record our sympathy to all those communities across the North of England and Scotland that have been flooded.

We therefore call upon the Conservative Government to unreservedly apologise to the people of the United Kingdom for leaving them with an estimated bill of £5.8 billion for the clean up after they slashed approximately 20% from flood defences since 2010.

In addition, Councillor Mordey requested that the names of the members of staff involved in the responses to the severe weather be formally recorded as follows: -

Andy Old, Michael Banks, Scott Matthews, Marty Jameson, Alan Taylor, Guy Thubron, Eddie Rowntree, Michael Pattison, Phil Collins, Steven Jardin, Aiden Turnes, Peter Jameson, Debby Hall, Andy Wilson, Ryan Dixon, Stephen Weeks, Stephen Robson, Keith Avery, Bill Blackett, Reece Davis, Neil Clark, Eddie Ashton, Jimmy Young, Robert Neilson, Brian Hern, Nicky Rowland, Michael Fascia, Katie Kelly, Dave Hardy, Steve Meek, Stephen Greenlaw, Foster Nevins, Ian Parker, Duncan Ritchie, Paul Simpson, Mark Hills, Lee Stothard, Antony Moon, Anthony Muldown, Tom Rose, Anthony Killeen, Gerald Campbell, Mark Evans, George Bage, David Steinberg, Brian Lowther, Ronnie Craggs, Martin Scott, Tom Rose, Gary Nesbitt and Steve Taylor.

Councillor Wood, seconded by Councillor M Dixon, proposed the following amendment: -

Delete third paragraph, so that the amended motion would read: -

“This Council places on record its thanks and appreciation to all the emergency services, council staff and City residents – for everything they did in assisting their communities during the recent atrocious weather.

We would also like to place on record our sympathy to all those communities across the North of England and Scotland that have been flooded.”

Upon being put to the vote, the amendment was defeated with 5 Members voting in favour: -

Councillors	Allen Dixon, M	Forbes	Francis	Wood
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51 Members voting against: -

The Mayor (Councillor Curran)

Councillors	Ball	Galbraith, I	Miller, F	Trueman, D
	Beck	Gibson, E	Miller, G	Trueman, H
	Bell	Gibson, P	Mordey	Turner
	Blackburn	Gofton	O’Neil	Turton, M
	Copeland	Heron	Price	Tye
	Cummings	Jackson	Scaplehorn	Walker, G
	Dixon, D	Kay	Smith, P	Walker, P
	Elliott	Kelly	Snowdon, D	Waters
	Ellis	Lauchlan	Snowdon, D E	Watson, P
	Essl	Lawson	Speding	Williams
	Farthing	Marshall	Stewart	Wilson, A
	Fletcher	McClennan	Taylor	Wright, N
	Galbraith, G	Middleton		

And 1 Member abstaining: -

Councillor	Smith, D
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Therefore the original motion was put to the vote and was carried with 52  
Members voting in favour: -

The Mayor (Councillor Curran)

Councillors	Ball	Galbraith, I	Miller, F	Trueman, D
	Beck	Gibson, E	Miller, G	Trueman, H
	Bell	Gibson, P	Mordey	Turner
	Blackburn	Gofton	O'Neil	Turton, M
	Copeland	Heron	Price	Tye
	Cummings	Jackson	Scaplehorn	Walker, G
	Dixon, D	Kay	Smith, D	Walker, P
	Elliott	Kelly	Smith, P	Waters
	Ellis	Lauchlan	Snowdon, D	Watson, P
	Essl	Lawson	Snowdon, D E	Williams
	Farthing	Marshall	Speding	Wilson, A
	Fletcher	McClennan	Stewart	Wright, N
	Galbraith, G	Middleton	Taylor	

2 Members voting against: -

Councillors	Dixon, M	Forbes
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And 3 Members abstaining: -

Councillors	Allen	Francis	Wood
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Accordingly it was: -

35. RESOLVED that: -

“This Council places on record its thanks and appreciation to all the emergency services, council staff and City residents – for everything they did in assisting their communities during the recent atrocious weather.

We would also like to place on record our sympathy to all those communities across the North of England and Scotland that have been flooded.

We therefore call upon the Conservative Government to unreservedly apologise to the people of the United Kingdom for leaving them with an estimated bill of £5.8 billion for the clean up after they slashed approximately 20% from flood defences since 2010.”

## **Report on Special Urgency Decisions**

The Leader of the Council submitted a quarterly report on executive decisions which had been taken as a matter of special urgency.

There were no such instances to report.

The Leader of the Council, duly seconded by the Deputy Leader, moved the report.

36. RESOLVED that the report be received and noted.

## **Appointments to Outside Bodies**

The Head of Law and Governance submitted a report recommending the Council to consider additional appointments to the Board of Sunderland Care and Support Limited.

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

37. RESOLVED that the Chief Operating Officer and the Chief Finance Officer of Sunderland Care and Support Limited be appointed to the Board of Directors of the Company.

(Signed)      B CURRAN  
Mayor



# ***Report of the Cabinet***



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

That they have referred the initial proposals on these matters to the Scrutiny Committee which supported the recommendations set out in the report to the Cabinet dated 13 January 2016.

That they have also, on 10 February 2016, submitted the attached report numbered 1 to the meeting of the Audit and Governance Committee and also the reports numbered 1, 2 and 3 to the Scrutiny Committee on 11 February 2016.

The Audit and Governance Committee was consulted specifically on the Treasury Management Policy and Strategy for 2016/2017 and 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.

The Scrutiny Committee, commented that, it was satisfied with the information provided and recognized the difficult financial situation that the Council continues to operate within. It placed on record its acknowledgement of all the hard work, commitment and support provided by the Council's Finance Team in preparing and delivering a balanced budget.

Subsequently

The precept figures have been confirmed as those set out in the report to Cabinet on 10<sup>th</sup> February 2016:

- For the Police and Crime Commissioner Northumbria (PCCN) this will mean an increase of 5.66% (flat rate Band D £5 increase) in the precept level for 2016/2017;
- the precept figures of the Tyne and Wear Fire and Rescue Authority (TWFR) have been confirmed as a 1.99% increase in the precept level for 2016/2017;
- the precept figures of the Parish of Hetton Town Council have been confirmed as an increase of 4% in the precept level for 2016/2017.

The position set out at Item 3 of the report as Determination of Council Tax 2016/2017 reflects the above notified 2016/2017 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 2016/2017 and Medium Term Financial Strategy 2016/2017 to 2019/2020”, Appendix G 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 2016/2017 and Treasury Management Policy and Strategy 2016/2017, including Prudential Indicators for 2016/2017 to 2018/2019**

That they have given consideration to the attached joint report of the Interim Head of Paid Service and Director of Finance and recommend that approval be given to:

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

Accordingly the Cabinet recommends the Council to approve:-

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

**2. Revenue Budget and Proposed Council Tax for 2016/2017 and Medium Term Financial Strategy 2016/2017 to 2019/2020**

That they have given consideration to the attached joint report of the Interim Head of Paid Service and Director of Finance on:

- (i) the overall revenue budget position for 2016/2017;
- (ii) the projected balances position as at 31st March 2016 and 31st March 2017 and advise on their level;
- (iii) a risk analysis of the Revenue Budget 2016/2017;
- (iv) a summary of the emerging medium term financial position facing the Council from 2017/2018 to 2019/2020, and associated Council Efficiency strategy;
- (v) views received from the North East Chamber of Commerce and Trade Unions.

Accordingly the Cabinet recommends the Council to approve:-

- the Revenue Budget for 2016/2017, as set out at Appendix K, and
- the Medium Term Financial Strategy 2016/2017 to 2019/2020 including Efficiency Strategy as set out in Appendix H and the proposed use of Capital Receipts Flexibility set out at section 9 of the report.

### **3. Determination of Council Tax 2016/2017**

That they have given consideration to a report of the Director of Finance making, subject to the approval of the Revenue Budget 2016/2017 (as set out at item 2 above), recommendations with respect to Council Tax levels for 2016/2017, 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 27 January 2016, 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 3.99% increase to the Council Tax for 2016/2017, noting that the government has amended the referendum principles relating to Council Tax increases to allow all social care authorities to raise an extra 2% in Council Tax which must be used specifically to meet the costs of adult social care. The total increase proposed for 2016/2017 of 3.99% therefore includes the additional 2% increase for social care.

and

- that Council confirm the Council Tax Requirement for its own purposes is £83,315,464 (excluding Parish precepts),

and

- i) it be noted that at its meeting on 27 January 2016 the Council approved the following amounts for the year 2016/2017 in accordance with the amended regulations made under Section 31B(3) of the Local Government Finance Act 1992 (the 'Act'):

- a) 67,556 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) (Amendment) (England) Regulations 2012, as its Council Tax Base for the year (Item T).

- b) 3,451 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) That the Council Tax Leaflet be enclosed with Council Tax bills this year in order to explain in more detail the proposed increase in Council Tax for 2016/2017, in addition to the Leaflet being made available on the Council's website. In order to meet timescales for publication, it is proposed responsibility for finalising the document be delegated to the Director of Finance in consultation with the Leader of the Council and the Cabinet Secretary.
- iii) That the following amounts be now calculated by the Council for the year 2016/2017 in accordance with Sections 31 to 36 of the Local Government and Finance Act 1992 as amended:
- |     |              |  |
|-----|--------------|--|
| (a) | £655,373,875 | 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) | £572,011,374 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.  |
| (c) | £83,362,501  | 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) | £1,233.9763  | 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) | £47,037      | being the precept notified by Hetton Town Council as a special item under Section 34 (1) of the Act.   |
| (f) | £1,233.2800  | 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) £1,246.9100 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)

Valuation Band	Parts of the Council's Area	
	Hetton Town Council	All other parts of the Council's Area
A	£831.28	£822.19
B	£969.82	£959.22
C	£1,108.37	£1,096.25
D	£1,246.91	£1,233.28
E	£1,524.00	£1,507.34
F	£1,801.09	£1,781.40
G	£2,078.19	£2,055.47
H	£2,493.82	£2,466.56

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 2016/2017, the 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:

Valuation Bands	Precepting Authority	
	Police and Crime Commissioner for Northumbria	Tyne & Wear Fire and Rescue Authority
A	£ 62.22	£ 50.74
B	£ 72.59	£ 59.20
C	£ 82.96	£ 67.65
D	£ 93.33	£ 76.11
E	£114.07	£ 93.02
F	£134.81	£109.94
G	£155.55	£126.85
H	£186.66	£152.22

- 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 2016/2017 for each of the categories of dwellings shown below:

Valuation Band	Parts of the Council's Area	
	Hetton Town Council	All other parts of the Council's Area
A	£944.24	£935.15
B	£1,101.61	£1,091.01
C	£1,258.98	£1,246.86
D	£1,416.35	£1,402.72
E	£1,731.09	£1,714.43
F	£2,045.84	£2,026.15
G	£2,360.59	£2,337.87
H	£2,832.70	£2,805.44

- vi) to note that under Section 52ZB of the Local Government Finance Act 1992, the Authority's relevant basic amount of council tax for 2016/2017 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act.

(i.e. the proposed Council Tax increase for 2016/17 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) to note that as Council Tax bills must show year on year increases to one decimal place in accordance with government regulations, the proposed increase of 3.99% for 2016/17 will therefore appear as a 4.0% increase on the actual bills, despite being below the referendum limit.
- viii) in order to meet timescales for publication of the Council Tax Leaflet, it is proposed responsibility for finalising the document be delegated to the Interim Head of Paid Service and Director of Finance in consultation with the Leader of the Council and the Cabinet Secretary.

**CABINET – 10 FEBRUARY 2016**

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

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

**1. Purpose of the Report**

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

**2. Description of Decision**

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

**3. Capital Programme 2016/2017**

**3.1 General**

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

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

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

### 3.3 Joint Venture Arrangements

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

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

### 3.4 Resources Available for new Starts

#### 3.4.1 Resources - Grants

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

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

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

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

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

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

Elsewhere on the agenda, the Revenue Budget and Proposed Council Tax report sets out the Council Efficiency Strategy for the period 2016/2017 to 2019/2020. In accordance with Government guidance on the availability of flexibility around the use of capital receipts for transformation purposes, the Strategy includes the proposed use of capital receipts arising in 2016/2017 to support to transformation costs arising from implementing the Council's savings programme for 2016/2017 and 2017/2018. This will ensure the Council has maximum flexibility in funding options available to meet the transformational costs at outturn. The position will be kept under review throughout the year and final decisions on funding options will 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.

### **3.4.3 Resources – Revenue Budget**

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

### **3.4.4 Resources – Borrowing**

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

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

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

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

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

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

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

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

- arrest and reverse our population decline and generate additional income in terms of New Homes Bonus and increased Council Tax from new housing;
- provide infrastructure development which attracts and complements private sector investment and development, generating additional business rates; and
- generate and support future funding opportunities and streams (which are likely to come through routes other than the public sector);
- On-going work with key partners to review physical assets on a city-wide basis and maximise the potential benefits and opportunities of wider capital and infrastructure planning (including health sector partners, the University, and Gento); and
- Maximising the benefits of existing delivery partnerships (such as Siglion and Sunderland Lifestyle Partnership).

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

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

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

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

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

### **3.6 Further Reports**

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

## **4. Prudential Framework and Code**

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

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

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

- 4.3 All authorities must follow the latest prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process. The prudential and treasury management indicators have been prepared for the financial year 2016/2017, taking into account all matters specified in the code. Regular monitoring will take place during the year and reports made to Cabinet to show the Council's performance and compliance with these indicators as part of the quarterly capital review reports as appropriate.
- 4.4 All of the indicators together with background information to these indicators and what they are seeking to assess, are detailed in Appendix 4 in full compliance with the code.
- 4.5 Regulations came into force on 31<sup>st</sup> March 2008 which requires local authorities to set, each year, an amount of Minimum Revenue Provision (MRP) it considers prudent. It also recommends that an annual statement of its policy on making a MRP in respect of the following financial year is submitted to full Council for approval. Local authorities have significant discretion in determining the level of MRP which they consider to be prudent. The Council's MRP policy has been reviewed and changes have been identified to the way in which MRP is calculated that will reduce the pressure on revenue budgets whilst still ensuring that a prudent level of provision is set aside.
- 4.6 The major changes proposed to current MRP policy are to;
- change MRP provided on borrowing supported by the government from the regulatory method which reduces borrowing incurred by 4% each year to one in which borrowing is paid off in full over 50 years. CLG guidance is that debt from borrowing supported by Government Revenue Support Grant (RSG) should be 'reasonably commensurate with the period implicit in the determination of that grant'. Since business rates reform in 2013/2014, the changes made to the funding formula for RSG mean that there is no component of grant determining an implicit level of support for debt repayment. As a result it is not possible to relate the grant received to any particular level or period of annual debt repayments. Additionally grants distributed to local authorities are controlled to a national limit which has been reduced substantially in recent years irrespective of the outstanding supported borrowing levels a council may have. Given this lack of visibility on the level of grant support provided for debt and the known reductions to RSG in recent years it is estimated that only around 50% of the required 4% is now provided for i.e. 2%. On this basis it is proposed that MRP on supported borrowing is reduced to the same level i.e. to 2%. This extends the repayment period to 50 years which is considered reasonable given the Council's asset portfolio to which the debt relates.
  - calculate MRP using an annuity method rather than the current 4% reducing balance for supported borrowing and the current equal instalments method for unsupported borrowing. The interest rate used to profile the MRP under the annuity method will be 3.50% which is the discount rate used by the government in its Green Book when assessing long term projects and is similar to the Council's interest on current debt (3.51%).

The proposed changes will reduce the level of revenue applied to provide for debt in the short to medium term as in the initial years MRP is significantly lower than the 4% reducing balance method and equal instalments over asset life method. This change does not increase overall levels of debt but does mean that the level of capital expenditure financed by borrowing, the Capital Financing Requirement (CFR), will initially reduce more slowly as the amount of MRP applied each year is lower than current policy. The consequence of debt being repaid more slowly will be that the Council incurs a higher interest cost than under the current policy (although the net present value of the additional costs incurred compared to other methods of providing from MRP is neutral). However, it is considered that the change in policy to repayment using an annuity method is fairer than the previous methods used as the annuity method better reflects the time value of money i.e. where paying £100 in 10 years' time is less of a burden than paying £100 now.

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

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

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

## **5. Treasury Management**

### **5.1 General**

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

## 5.2 Statutory requirements

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

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

## 5.3 CIPFA Code of Practice requirements

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

The primary requirements of the Code include that:

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

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

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

- 5.4.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments in 2016/2017.
- 5.4.2 There are however no major changes being proposed to the overall Treasury Management Strategy in 2016/2017 which maintains the careful and prudent approach adopted by the Council in previous years. Particular areas that inform the strategy include the extent of potential borrowing included in the Council's capital programme, the availability of borrowing, and the current and forecast global and UK economic positions, in particular forecasts relating to interest rates and security of investments.
- 5.4.3 The proposed Treasury Management Strategy Statement for 2016/2017 is set out in Appendix 7 and is based upon the views of the Director of Finance, supplemented with money market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Capita Asset Services.
- 5.4.4 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. The Council's performance for 2015/2016 using the prudent treasury management strategy adopted shows that the current average rate of borrowing at 3.51% is low in comparison with other local authorities whilst the current rate earned on investments at 0.91% is higher than the benchmark rate of 0.36%. Market conditions are also under constant review so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

#### **6. Reasons for Decision**

- 6.1 To comply with statutory requirements.

#### **7. Alternative Options**

- 7.1 No alternative options are proposed.

#### **8. Impact Analysis**

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

## **9. List of Appendices**

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

## Appendix 1

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

## Capital Programme 2016/2017 – New Starts

### 1. Other Capital New Start Proposals 2016/2017

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

#### 1.1 Invest to Save New Start Proposals

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

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

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

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

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

##### 1.1.3 Trade Waste Bins £0.020m in 2016/2017

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

##### 1.1.4 Mobile Catering Facility £0.045m in 2016/2017

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

#### 1.2 Other New Start Proposals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in infrastructure, plant and equipment, will be used to support the on-going operational requirements of the Port, including addressing minor plant/machinery investment, health and safety, and general infrastructure requirements as they arise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**1.2.19 Bishopwearmouth Horticultural Nursery £0.123m in 2016/2017**

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

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

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

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

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

#### **1.2.22 Car Parks £0.095m in 2016/2017**

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

#### **1.2.23 Bereavement Service Equipment £0.080m in 2016/2017**

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

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

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

#### **1.2.25 Mobile Vehicle Lifts £0.020m in 2016/2017**

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

### **1.3 Potential Invest to Save / Grant Funded Schemes**

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

## **2.0 Highways Capital Funding 2016/2017**

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

Following a short consultation exercise last year with local authorities, the Department for Transport (DfT) reviewed and revised the basis for allocating this funding to councils via a Funding Model for 2015/2016 to 2020/2021. On 11 June 2015, the DfT released details of the Incentive Fund scheme to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements. Each local highway authority in England (excluding London) was invited to complete a self-assessment questionnaire, in order to establish the share of the Incentive fund they will be eligible for in 2016/17, provisionally being £18,000 for Sunderland and included in the Highways Maintenance allocation.

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

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

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

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

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

### **Proposals for Highways Capital Programme New Starts 2016/2017**

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

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

- Economic development and regeneration by managing congestion; support safe and sustainable communities by improving Road Safety and, improving access; address climate change by promoting sustainable travel - £1.187m (including £0.189m for the NECA Transport team.)

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

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

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

### **4.0 Children's Services Capital Proposals 2016/2017**

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

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

#### **4.1.1 Schools Conditions Allocation**

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

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

#### **4.1.2 Basic Need**

The Council remains the responsible body for the city's Basic Need funding. This funding is for all publicly funded schools in the city (including Academies, Free Schools and VA schools). Basic Need funding, although not ring fenced, is intended to ensure additional school places can be provided where needed. The Council's allocation for 2016/2017 has been announced at £0.533m. The Council will not receive a Basic Need allocation for 2017/18.

#### **4.1.3 Funding Availability from 2016/2017**

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

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

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

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

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

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

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

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

### **4.3 Pupil Place Planning**

- 4.3.1 In addition to the proposed works above the Council is assessing the localities where pupil projections have indicated there will be insufficient school places to meet future demand. Previous capacity increases in North Sunderland, Washington and Hetton have mitigated the requirement for additional places in these areas. However, the Council will continue to monitor demand for school places during the current admissions round in order to respond to any immediate and unforeseen additional demand for places.
- 4.3.2 Any short to medium term increase in school places will be as a consequence of demand from local housing development. The Council is currently evaluating potential demand for school places as a consequence of the South Sunderland Growth Area (SSGA). Discussions have taken place with Schools in the South Sunderland Area on potential expansion locations. It is estimated that there will be approximately 630 new places to be created and funding is to be sought via S106 contributions.
- 4.3.3 Work is underway to assess potential further increase of places for pupils on the Autistic Spectrum (ASD). At present, with all ASD provision in the City at capacity, the Council is identifying potential locations for further expansion of provision.
- 4.3.4 Upon completion of any proposals, capital investment requirements will be submitted to Cabinet for approval.

## CAPITAL PROGRAMME

Summary of Programme  
2015/16 to 2019/20

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

**CAPITAL PROGRAMME**

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

## **LEADER CAPITAL PROGRAMME**

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

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

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

## LEADER CAPITAL PROGRAMME

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

### New Starts

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

**LEADER  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**LEADER  
CAPITAL PROGRAMME**

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

## **DEPUTY LEADER CAPITAL PROGRAMME**

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

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

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

#### **New Starts**

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

**DEPUTY LEADER  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**DEPUTY LEADER  
CAPITAL PROGRAMME**

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

**CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

**OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

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

**KEY MEDIUM TERM PRIORITIES**

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

## **CABINET SECRETARY CAPITAL PROGRAMME**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

## CABINET SECRETARY CAPITAL PROGRAMME

### New Starts

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

**CABINET SECRETARY  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**CABINET SECRETARY  
CAPITAL PROGRAMME**

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

**CABINET SECRETARY  
CAPITAL PROGRAMME**

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

## CHILDRENS SERVICES CAPITAL PROGRAMME

### CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES

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

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

It aims to do this by:

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

### OUTCOMES FROM COMPLETED CAPITAL SCHEMES

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

### KEY MEDIUM TERM PRIORITIES

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

### HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY

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

### CAPITAL INVESTMENTS FOR THE YEAR AHEAD

#### Ongoing Commitments

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

## CHILDRENS SERVICES CAPITAL PROGRAMME

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

### **New Starts**

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

**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

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

**CHILDRENS SERVICES  
CAPITAL PROGRAMME**

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

## HEALTH, HOUSING AND ADULT SERVICES CAPITAL PROGRAMME

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

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

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

## HEALTH, HOUSING AND ADULT SERVICES CAPITAL PROGRAMME

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

### **New Starts**

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

**HEALTH, HOUSING AND ADULT SERVICES  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**HEALTH, HOUSING AND ADULT SERVICES  
CAPITAL PROGRAMME**

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

## PUBLIC HEALTH, WELLNESS AND CULTURE CAPITAL PROGRAMME

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

#### **Illuminations**

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

#### **Other**

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

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

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

**Other**

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

**New Starts**

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

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

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

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

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

## **CITY SERVICES CAPITAL PROGRAMME**

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **OUTCOMES FROM COMPLETED CAPITAL SCHEMES**

Transport:

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

Coast Protection and Flood Defence:

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

Play Provision:

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

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

## **CITY SERVICES CAPITAL PROGRAMME**

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

## CITY SERVICES CAPITAL PROGRAMME

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

### **New Starts**

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

**CITY SERVICES  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**CITY SERVICES  
CAPITAL PROGRAMME**

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

**CITY SERVICES  
CAPITAL PROGRAMME**

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

## **RESPONSIVE SERVICES AND CUSTOMER CARE CAPITAL PROGRAMME**

### **CAPITAL INVESTMENT PLANS AND LINKAGES TO SERVICE OBJECTIVES, STRATEGIC PRIORITIES**

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

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

It aims to do this by:

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

### **KEY MEDIUM TERM PRIORITIES**

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

### **HOW THE PROGRAMME CONTRIBUTES TO VALUE FOR MONEY AND EFFICIENCY**

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

### **CAPITAL INVESTMENTS FOR THE YEAR AHEAD**

#### **Ongoing Commitments**

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

**RESPONSIVE SERVICES AND CUSTOMER CARE  
CAPITAL PROGRAMME**

**SUMMARY**

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

**METHOD OF FINANCING ESTIMATED CAPITAL EXPENDITURE**

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

**RESPONSIVE SERVICES AND CUSTOMER CARE  
CAPITAL PROGRAMME**

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

## Prudential and Treasury Indicators 2016/2017 to 2018/2019

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

In addition, the Government has introduced flexibility around the use of capital receipts to support transformation costs arising from implementing the Council's savings programme for 2016/2017 and 2017/2018. The transformation schemes where it is proposed to use finance from capital receipts and to treat costs as capital spend under sections 16(2)b and 20 of the Local Government Act 2003 are detailed in the Revenue Budget and Proposed Council Tax report elsewhere on the agenda and where they impact on the Council's Prudential and Treasury Indicators this is detailed against the specific Prudential indicators.

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

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

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
<b>Estimated Capital Expenditure</b>	113,576	122,285	88,937	29,815
<b>Efficiency Transformation Projects</b>	0	8,830	0	0
<b>Total Capital Expenditure</b>	<b>113,576</b>	<b>131,115</b>	<b>88,937</b>	<b>29,815</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 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/2015 are:

<b>Ratio of financing costs to net revenue stream</b>				
2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Actual	Estimate	Estimate	Estimate	Estimate
9.13%	• 7.60%	9.33%	11.88%	12.68%

The estimates of financing costs include current commitments and the proposals in the revenue budget and capital programme reports. The forecasts provide an indication of the impact of the capital investment plans on the Council's overall finances. They show a decrease in the anticipated ratios of financing costs to net revenue stream in 2015/2016 due to changes being proposed to the Council's Minimum Revenue Provision policy in this report. This is followed by increases to the ratio in future years as a result of forecast reductions in future years Government Funding allocations and additional planned prudential borrowing for strategic priorities approved in the capital programme.

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

- P3 Estimates of the end of year Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31st March 2015 are:

<b>Capital Financing Requirement</b>				
<b>31/03/15</b>	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/18</b>	<b>31/03/19</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>
359,748	352,346	412,790	462,684	453,953

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

The Capital Financing Requirement includes other long term liabilities (e.g. PFI schemes and finance leases). Whilst this increases the Capital Financing Requirement, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £90.735 million of such schemes included in its Capital Financing Requirement at 31<sup>st</sup> March 2015.

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

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

The Council had no difficulty meeting this requirement in 2014/2015, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this report and the report elsewhere on today's agenda on the Revenue Budget and Proposed Council Tax 2016/2017.

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

	<b>Authorised Limit for External Debt</b>			
	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	426,749	453,349	457,321	458,705
Other long term liabilities	89,659	88,553	84,581	80,338
<b>Total</b>	<b>516,408</b>	<b>541,902</b>	<b>541,902</b>	<b>539,043</b>

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

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

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

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

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

	<b>Operational Boundary for External Debt</b>			
	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	332,537	370,400	374,372	378,321
Other long term liabilities	89,659	88,553	84,581	80,338
<b>Total</b>	<b>422,196</b>	<b>458,953</b>	<b>458,953</b>	<b>458,659</b>

P7 The Council’s actual external debt at 31<sup>st</sup> March 2015 was £339.943 million and was made up of actual borrowing of £249.208 million and actual other long term liabilities of £90.735 million

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

P8 The estimated cost / (saving) of the incremental impact of new capital decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

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

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

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

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

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

- (a) capital expenditure plans are affordable;
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice;

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

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

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

- (f) local strategic planning;
- (g) local asset management planning;
- (h) proper option appraisal.

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

#### **CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2016/2017 to 2018/2019**

- P10 It is recommended that the Council sets an upper limit on its fixed interest rate exposures of £330 million in 2016/2017, £320 million in 2017/2018 and £320 million in 2018/2019.
- P11 It is further recommended that the Council sets an upper limit on its variable interest rate exposures of £48 million in 2016/2017, £56 million in 2017/2018 and £54 million in 2018/2019.
- P12 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

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

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

- P13 A maximum maturity limit of £75 million is set for each financial year (2016/2017, 2017/2018 and 2018/2019) for long-term investments (those over 364 days), made by the Council. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. The type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 7).

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

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

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

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

- 1.2 The statutory guidance issued by the DCLG considers the broad aim of a prudent MRP policy as being "to ensure that the debt is repaid over a period of time that is either reasonably commensurate with that over which the capital expenditure to which it relates provides benefits, or in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant."
- 1.3 The four options for calculating MRP which were set out in the guidance can be summarised as follows:
- Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008.
  - Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%. This method calculates a similar amount of MRP to Option 1.
  - Option 3 – Asset Life Method: amortising expenditure over an estimated useful life for the relevant assets created. An assessment must be made of the asset life at the outset of the capital scheme and MRP is charged to revenue in either equal annual instalments or by an annuity method over the estimated life of the asset. The MRP charge will commence in the financial year following the one in which the asset comes into service.
  - Option 4 – Depreciation Method: making charges to revenue in accordance with the standard rules for depreciation accounting for the particular asset being created or enhanced.

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

- 1.4 The Council has previously used Option 1 (the Regulatory Method) for government supported borrowing. This is a continuation of the method currently used by the Council (using regulations 28 and 29 of the Capital Finance Regulations and the Local Government Act 2003) where MRP is calculated with regard to the 'credit ceiling' of the authority. This takes into account all loan advances and repayments through the Council's consolidated advances and borrowing pool with MRP being calculated at 4% of the opening 'credit ceiling' balance.

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

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

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

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

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

- 1.6 It is proposed that MRP for both supported and unsupported borrowing is calculated using an annuity method rather than the previous 4% reducing balance method for supported borrowing and the previous equal instalments method for unsupported borrowing. The interest rate used to profile the MRP under the annuity method will be 3.50% which is the discount rate used by the government in its Green Book when assessing long term projects and is similar to the Council's current interest paid on borrowing (3.51%). Government guidelines support use of the annuity method to calculate MRP for option 3 and the interest rate used to profile MRP will be reviewed annually to ensure that it is still appropriate.

Use of the annuity method means the MRP that is applied to Council borrowing will increase each year until the borrowing is repaid at the end of the asset life (or after 50 years in the case of supported borrowing). This method means that provision for debt repayments better reflects the time value of money i.e. where paying £100 in 10 years time is less of a burden than paying £100 now and it means that costs will be spread more evenly amongst the council tax payers that will get benefit from the capital expenditure. It is therefore considered to be fairer than the methods previously used.

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

A major benefit of the changes proposed is that the Council's Capital Financing requirement for supported borrowing will be eliminated more quickly in the longer term than under previous arrangements. The reducing balance method previously used leaves a balance remaining in perpetuity and there would still be a balance of £22.5m outstanding after 50 years whereas the proposed method will fully write down the CFR for supported borrowing to zero over the 50 years period. These proposals for MRP therefore ensure that prudence is maintained and strengthened as debts are provided for more quickly and more transparently.

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

- 1.8 Accounting standards require assets purchased through finance leases and PFI contracts to be included on the Council's balance sheet. MRP policy used by the Council will ensure that there will be no impact on council taxpayers from revisions to accounting standards. The amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets i.e. the annual MRP charge will be an amount equal to the amount that has been taken to the balance sheet to reduce the liability for that asset.
- 1.9 In summary, it is recommended that the Council approves the following revised Minimum Revenue Provision Statement 2015/2016 and Minimum Revenue Provision Statement for 2016/2017:
- a) For all government supported borrowing the Council will repay borrowing over 50 years using the annuity method with the interest rate used to profile MRP being set at 3.5%.
  - b) For all unsupported borrowing the Council will adopt Option 3 and make MRP repayments using the annuity method with the interest rate used to profile MRP being set at 3.5%. The estimated useful life of an asset will be assessed by the Director of Finance in consultation with appropriate officers. The MRP charge will commence in the financial year following the one in which the capital scheme the borrowing relates to is complete and the asset has come into service.
  - c) For MRP payments in relation to finance leases and PFI contracts, the amount of MRP to be made will be set to ensure that the finance charge and MRP for finance leases and on-balance sheet PFI schemes is equal to the rental or service charge payable in the income and expenditure account for the year, which writes down the balance sheet liability of those assets.
  - d) The Council will vary MRP payments to that indicated by the adoption of Option 3 where it has taken out unsupported borrowing to provide grants, deposits or loans for capital purposes. In these cases it is proposed that MRP is based on the actual principal repayment schedule relating to the grant, deposit or loan provided.
  - e) Changes to the Council's MRP policy will be made where the Director of Finance determines that such a revisions will reduce future years' debt repayment requirements and provide value to the Council. This action, if used, would be reported to Cabinet accordingly.

## 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 4.00% for long term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities, as appropriate.

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

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

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

## Treasury Management Strategy Statement for 2016/2017

### 1. Introduction

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

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

- 1.2 The treasury management strategy covers:

#### A. Borrowing Policy and Strategy

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

#### B. Annual Investment Policy and Strategy

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

### 2. Borrowing Policy and Strategy

#### 2.1 Treasury Limits for 2016/2017 to 2018/2019

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

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

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

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

## **2.2 Current Treasury Management Position**

### **2.2.1 Interest Rates 2015/2016**

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

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

The government introduced a 0.20% discount on PWLB loans under the prudential borrowing regime in March 2012 for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans'. The Council successfully applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31<sup>st</sup> October 2016.

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

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

\*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 2015/2016

The Council's strategy for 2015/2016 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 4.25% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2015/2016.

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

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

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

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

<u>Roll Over Dates</u>	<u>Lender</u>	<u>Amount £m</u>	<u>Rate %</u>	<u>Roll Over Periods</u>
21/04/2015 and 21/10/2015	Barclays	5.0	4.50	Every 6 months
29/09/2015	Dexia Credit Local	5.0	4.45	every 3 years
03/02/2016	Dexia Credit Local	5.0	4.37	every 3 years
22/02/2016	Dexia Credit Local	5.0	4.38	every 3 years
<b>Total</b>		<b>20.0</b>		

### 2.2.3 Current Portfolio Position

The Council's treasury portfolio position at 31<sup>st</sup> December 2015 comprised:

		<b>Principal (£m)</b>	<b>Total (£m)</b>	<b>Average Rate (%)</b>
<b>Borrowing</b>				
Fixed Rate Funding	PWLB	177.8		
	Market (LOBO's)	39.5		
	Other	0.6	217.9	3.91
Variable Rate Funding	Temporary / Other		27.6	0.41
<b>Total Borrowing</b>			<b>245.5</b>	<b>3.51</b>
<b>Total Investments</b>			<b>265.4</b>	<b>0.91</b>
<b>Net Surplus</b>			<b>19.9</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 net surplus of £19.9m which represents the difference between gross debt and total investments and is significantly lower than the Council's capital financing requirement (capital borrowing need). However this position is expected to change over the next few years as the Council has to manage its finances with significantly less government funding. This is likely to impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position of the Council will increase.

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

Benefits of having a high level of investments are;

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

Risks associated with holding a high level of investments are;

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

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

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

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

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 20<sup>th</sup> November 2002 and the latest revision to the 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 Code annually (as set out in Appendix 6).

### **2.4 Prospects for Interest Rates**

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

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

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

## 2.5 Borrowing Strategy

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

## 2.6 Borrowing Requirement 2016/2017

The Council's potential borrowing requirement is as follows:

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

### 2.6.1 Borrowing rates

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

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

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

The main sensitivities of the forecast are likely to be;

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

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

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

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

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

## **2.7 Policy on borrowing in advance of need**

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

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

## **2.8 Debt Rescheduling**

The reasons for any rescheduling of debt will include:

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

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

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

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

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

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

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

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

The Council's investment objectives are: -

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

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

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

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

#### **3.2 Investment Strategy**

This Strategy sets out:

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

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

### 3.3 Investment Types

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

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

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

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

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

### 3.4 Investments Defined as Capital Expenditure

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

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

### **3.5 Investment Limits**

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

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

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

### **3.6 Provisions for Credit Related Losses**

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

### **3.7 Creditworthiness policy**

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

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

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

It is important to stress the regulatory changes that are being made in the UK and the rest of Europe are designed to make the financial system sounder, their implementation will not suddenly weaken institutions and that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now.

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

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

In summary the UK financial institutions have 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.

**3.8 Monitoring of Credit Ratings**

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

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

**3.9 Past Performance and Current Position**

During 2015/2016 the Council did not employ any external fund managers, all funds being managed by the in-house team. The performance of the fund by the in-house team is shown below and compares this with the relevant benchmarks and performance from the previous year:

	<b>2014/15 Benchmark</b>	<b>2014/15 Return</b>	<b>To date 2015/16 Benchmark</b>	<b>To date 2015/16</b>
<b>Return</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Council	0.35	0.76	0.36	0.91

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

**3.10 Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Council anticipates its fund balances in 2016/2017 are likely to range between £60 million and £220 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2016/2017, with short-term interest rates forecast to be materially below long-term rates, it is likely that some investment balances will continue to be used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

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

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

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

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

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

### **3.11 External fund managers**

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

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

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

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

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

#### 4. **Scheme of delegation**

- 4.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy (TMS) is approved annually by the full Council and receives, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 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: -

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

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

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

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

**Interest Rate Forecasts**

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

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

## 1. Interest Rate Forecasts

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

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

## 2. Survey of Economic Forecasts

### HM Treasury December 2015

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

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

## **Economic Background**

### **1.1 Global Economy Update**

#### **The Eurozone**

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

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

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

#### **USA**

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

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

### **China**

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

### **Japan**

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

## 1.2 UK Economy

### Economic growth

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

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

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

### Forward guidance

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

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

## **Inflation**

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

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

## **Government Debt**

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

### **1.3 Economic Forecast**

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

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

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

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

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

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

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

## 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><u>Maximum Deposit</u> £m</b>	<b><u>Maximum Duration</u></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</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)					20	# 20 years

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

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

**Country Limit**

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

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

<b>Country</b>	<b>Limit £m</b>
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

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

**Group Limit**

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

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

Proposed group limits are set out in Annex D.

## Approved Lending List

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

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
West Bromwich BS **	-	-	B1	NP	-	-	0	
Yorkshire BS **	A-	F1	A3	P-2	-	-	50	364 days
<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+	Aa2	P-1	AA-	A-1+	75	2 years
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Westpac Banking Corporation	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
<b>Canada</b>	AAA		Aaa		AAA		100	2 years
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days
Royal Bank of Canada	AA	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	75	2 years
<b>Finland</b>	AAA		Aaa		AA+		100	2 years
Nordea Bank Finland plc	AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 years
Pohjola Bank	-	-	Aa3	P-1	AA-	A-1+	75	2 years
<b>Germany</b>	AAA		Aaa		AAA		100	2 years
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	P-1	AA-	A-1+	75	2 years
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	100	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA-	A-1+	75	2 years
<b>Netherlands</b>	AAA		Aaa		AAA		100	2 years
Bank Nederlandse Gemeenten	AA+	F1+	Aaa	P-1	AAA	A-1+	100	2 years
Coöperatieve Centrale Raiffeisen	AA-	F1+	Aa2	P-1	A+	A-1	70	364 days

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

## Notes

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

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

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

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

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



**CABINET**

**10 FEBRUARY 2016**

**Revenue Budget and Proposed Council Tax for 2016/2017 and Medium Term Financial Strategy 2016/2017 to 2019/2020**

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

**1. Purpose of Report**

1.1 To report:

- the overall revenue budget position for 2016/2017;
- the projected balances position as at 31st March 2016 and 31st March 2017 and advise on their level ;
- a risk analysis of the Revenue Budget 2016/2017;
- a summary of the emerging medium term financial position facing the Council from 2017/2018 to 2019/2020 and associated Council Efficiency strategy;
- any views received from the North East Chamber of Commerce and Trade Unions.

**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 2016/2017 set out at Appendix K;
- recommend to Council the medium term financial strategy 2016/2017 to 2019/2020 including Efficiency Strategy as set out in Appendix H and the proposed use of Capital Receipts Flexibility set out at section 9 of the report;
- recommend to Council the proposed Council Tax for 2016/2017 at Appendix G;
- note the views, expressed by the North East Chamber of Commerce and Trade Unions.

**3. Introduction**

3.1 Cabinet will be aware that it approved budget proposals for the purposes of on-going budget consultation at its January 2016 meeting. 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 2016/2017 and related grant announcements;
- the forecast Income from Business Rates;
- the final Collection Fund position for both Council Tax and Business Rates.

3.2 In presenting the Revenue Budget 2016/2017 this report covers the following areas:

- Current Overall Position 2016/2017 to 2019/2020;
- Final position at February 2016;
- Spending Pressures and Commitments;
- Overall Position / Meeting the Budget Gap;
- Proposals To Meet the Funding Gap;
- Workforce Planning, Transformational costs and Capital Receipts Flexibilities
- Medium Term Financial Position and associated Efficiency Strategy;
- Outcome of Budget Consultation;
- Equality and the Budget Proposals;
- Balances and Reserves;
- Detailed Revenue Budget.

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

**4. Current Overall Position 2016/2017 to 2019/2020**

4.1 The January Cabinet report set out the provisional settlement for the Council and confirmed that when cost pressures were taken into account there was a funding gap £46.60 million in 2016/2017. The report also referred to progress at that stage in relation to proposals to address the funding gap.

The final settlement was not announced at the time of writing this report, but it is not anticipated there will be any changes to the funding position set out in the January Cabinet report. As set out in the January Cabinet report the medium term position has been reviewed in light of four year indicative data presented in the Settlement. The overall position to 2019/20 is set out below with reductions of circa £115m estimated to be required over the four years 2016/2017 to 2019/2020. This is in addition to the £207m already cut over the period 2010/2011 to 2015/2016.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Government Grant Changes	15.00	12.87	5.14	3.69	36.70
Total On-going Spending Pressures	25.81	27.21	12.62	12.89	78.53
<b>Total On-going Funding Gap</b>	<b>40.81</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>115.23</b>
Safeguarding Pressure (One-Off)	5.79	0.00	0.00	0.00	5.79
<b>Total Funding Gap</b>	<b>46.60</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>121.02</b>

\* high level assumptions at this stage

Paragraph 5 below sets out further information about the grant changes while paragraph 6 sets out the spending pressures and commitments.

## **5. Final Position February 2016**

### **Collection Fund**

- 5.1 The Collection Fund position is reported elsewhere on this agenda. The position is positive and the surplus available to the Council to be taken into account in the budget and council tax calculations has been estimated at £2,500,000.

### **Council Tax Base**

- 5.2 The Council, at its meeting on 27th January, 2016, approved the Council Tax Base for the area covered by Hetton Town Council (£3,451) and the City Council area (£67,556).

### **Retained Business Rates**

- 5.3 The NNDR1 form sets out the Business Rate income forecast for 2016/2017 and was submitted to Government on 31st January 2016 in accordance with regulations. This is attached at Appendix A for information. The amount of Business Rates to be retained by the Council for 2016/2017 is forecast to be £44.631m.

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

- 5.4 The final position on the Local Government Finance Settlement for 2016/2017 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 B following the Government announcement. Based on the Indicative Settlement the key issues affecting Sunderland are set out below:
- The Councils Settlement Funding Assessment (SFA) level is £135.817m;
  - SFA includes Revenue Support Grant (RSG) of £57.231m in 2016/2017 representing a reduction of £15.538m (21.35%) compared to 2015/2016 adjusted RSG;
  - Sunderland's final baseline funding level is therefore £78.586m. Within this the Government have assessed the level of Retained Business Rates income which the Council will collect and retain as £42.430m (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);
  - The Council will receive Government Top Up Grant of £36.247m representing an increase of £0.299m (0.83%) compared to 2015/2016;
  - The Safety Net Threshold, set by Government at 92.5% of a Council's baseline funding level, equates to £72.692m for Sunderland;
  - The position in respect of changes to other Government funding is set out at section 5.7 and 5.8;
  - The position in respect of schools funding is set out at section 5.9.

## Council Tax

5.6 In accordance with the Localism Act the public have the right to approve or veto excessive council tax rises, making this a local decision rather than being dealt with through 'capping'. 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 Provisional Settlement the Government announced that the referendum threshold for 2016/2017 is 2%.
- In addition Social Care councils are able to levy an additional ringfenced social care precept at 2%
- Together this means Government have included assumptions on council tax rises in each of the next four years of up to 4% for social care councils.

Any increase above this level will require a referendum to give the local electorate the opportunity to approve or veto the increase.

## Changes to Grants from 2015/2016

5.7 The table below sets out the impact of changes to Council Core Spending Power Calculation which includes Revenue Support Grant, Top up grant, and New Homes Bonus grant compared to 2015/2016 following the final settlement. This shows the reduction to available Spending Power of £9.983m (-4.3% which is higher than the national average reduction of -2.8%).

It is important to note that within this, Revenue Support Grant funding has reduced by £15.538m (-21.35%). 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 the new 2% Social Care Council Tax precept.

Spending Power Components	Adjusted Core Spending Power		Final Core Spending Power 2016-17		Changes	
	£m	£m	£m	£m	£m	%
Council Tax Requirement excluding parish precepts		<b>78.273</b>		<b>80.461</b>	<b>2.188</b>	<b>2.79%</b>
Settlement Funding Assessment (SFA)						
RSG*	72.769		57.231		-15.538	-21.35%
Baseline Funding (Top up Grant)	35.948		36.247		0.299	0.83%
Assumed Business Rates	41.988		42.339		0.351	0.84%
		<b>150.705</b>		<b>135.817</b>	<b>-14.888</b>	<b>-9.88%</b>
Social Care Council Tax precept		0.000		1.589	1.589	100.00%
Provisional New Homes Bonus		3.426		4.555	1.129	32.95%
New Homes Bonus: returned funding		0.000		0.000	0.000	0.00%
<b>Sunderland Total Core Spending Power</b>		<b>232.404</b>		<b>222.422</b>	<b>-9.982</b>	<b>-4.30%</b>

*Memorandum - national position*

*-2.80%*

\* A number of previous specific grants have transferred into the RSG from 2016/2017 including Council Tax Freeze grant; Lead Local Flood Authority Grant; Care Act Funding (notionally adj)

## Impact of Changes to Specific Grants

5.8 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 2016/2017 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 Administration grant of £0.105m has been built into the planning assumptions.
- The settlement figures for Sunderland for 2016/2017 no longer include for pooled Better Care Funding (BCF) as this is included in allocations to Health. Sunderland's CCG allocation for 2016/2017 is £22.514m representing an increase of £0.082m over 2015/2016. Pooled BCF budgets are currently being prepared for 2016/2017 with the CCG, which will enable savings to be delivered in line with council wide savings requirements.
- Provision has been included within the Budget Planning Framework for the impact of reduction in funding and academy transfers.

5.9 At the time of preparing this report a number of grant allocations are still to be announced by Government, and have indicated these will be released alongside the Final Settlement in early February. The outcome of allocations for the following grants will therefore be circulated separately as Appendix B once received:

- Public Health Grant
- Local Reform and Community Voices
- Council Tax Administration Grant
- Section 31 Business Rates RPI Cap 2014/15-2015/16 Grant
- Extended Rights to Free Travel
- Independent Living Fund

## Schools Funding

5.10 Dedicated Schools Grant

The Dedicated School Grant (DSG) is defined across three separate blocks as set out below. A new National Funding Formula will be introduced in 2017.

- Schools block funding has increased by a net £0.540m, to £160.076m reflecting an increase of 110 pupil numbers. The Government is to continue to apply a national protection arrangement for schools whereby no school will see a per pupil reduction compared to its 2015/2016 budget (excluding sixth form funding) of more than 1.5% before the pupil premium is applied.

- An additional £92.5m has been provided nationally for the high needs block, with Sunderland receiving an additional £0.435m, increasing funding to £23.613m. This will support the increase in the number of pupils receiving Education, Health and Care Plans and requiring specialist education provision.
- Within the Early Years Block, the rates per child are to be maintained at their 2015/2016 level. The provisional allocation for 2016/2017 is £15.776m including £0.333m pupil premium allocation.

#### 5.11 Pupil Premium Funding

The Pupil Premium level of funding for 2015/2016 for Sunderland Schools and Academies is estimated to be £15.224m, based on October 2015 census data. The final allocation, based on the January 2016 pupil census, will be confirmed in September 2016 by the Education Funding Agency.

## 6. Spending Pressures and Commitments

The 2016/2017 budget includes provision for the following spending pressures and commitments:

### 6.1 Cabinet Secretary

- Pay, Prices and Other Inflationary Cost Pressures

#### Pay and Prices

The Government has indicated a limit on public sector pay increases of 1%. Provision has been built into the budget for 2016/2017.

#### Pensions

The impact of the Actuarial review of the Local Government Pension Scheme 2013 covering the three years to 2016/2017, and the impact of the Pensions Act 2008 (pension scheme auto enrolment) have been factored into the budget.

#### National Insurance

The impact of the Pensions Act 2014, (abolition of contracting out rate for occupational pension schemes) has been reflected in the budget.

#### Other Pressures

Other inflationary impacts have been provided for including those relating to payments to independent providers of adult and children's social care and utilities costs.

- Capital Financing

Prudential borrowing has been provided for within the medium term financial position in relation to known investments over that period, together with a provision to provide future flexibility to enable strategic priorities of the Council to be addressed.

- **Replacement of One off Resources**  
Provision is included for the replacement of one-off funding utilised in setting the 2015/2016 budget where pressures are of an on-going nature e.g. the Intelligence Hub.
- **Workforce Transformation**  
Latest financial implications associated with workforce transformation have been factored into the budget planning and will be kept under close review, with amendments reported as part of monitoring reports during the year.

One off costs in relation to the workforce transformation process will be met from specific earmarked resources.

- **National Living Wage**  
The government's proposal to implement the national Living Wage of £7.20 from April 2016 represents a significant additional cost pressure for councils as external contract suppliers seek to pass the cost on through increased contract prices, for which Government have not provided any additional funding in 2016/2017. Provision of £3m is included in the budget for the estimated impact in 2016/2017.

The MTFS has been updated to reflect the forecast additional gap compared to available government funding for the period 2017/2018 through to 2019/2020 taking into account the assumed annual stepped increase rising to £9.00 by 2020.

## **6.2 Adults Health and Housing**

- **Adult Services Demand / Demographic Issues**  
The increasing longevity of the national and specifically, the City's, population continues to place significant pressure on Adult Social Care budgets. In addition, client expectations and increasing demand to support clients with complex cases to enable clients to maintain independent living, is requiring reconfigured services and additional investment.

A sum of £0.5m for cost pressures have been factored into the 2016/2017 budget.

## **6.3 Children Services**

- **People - Children's Safeguarding**  
Provision has been included in the 2016/2017 budget in respect of the continued demand pressures in relation to Safeguarding and Looked After Placements reflecting the latest improvement plan requirements. Budget provision includes the use of one-off resources for 2016/2017 with the on-going position fully provided for within the MTFS from 2017/2018. This position will continue to be kept under review and updated as required.

## 7. Overall Position / Meeting the Budget Gap

- 7.1 The overall estimated position is set out below taking into account government funding changes, cost pressures and proposals to meet the funding gap and shows a balanced budget position for 2016/2017.

	2016/17 £m	2017/18 £m
Government Funding Changes and Spending Pressures	46.60	40.09
Total Savings Proposals	-32.51	-19.42
<b>Funding Gap</b>	<b>14.09</b>	<b>20.67</b>
Use of Balances to meet pressures on One-Off Basis	-10.94	0.00
Council Tax Increase or Temporary Use of Balances	-3.15	-3.15
<b>Net Position</b>	<b>0.00</b>	<b>17.52</b>

- 7.2 After taking account of total on-going programmed reductions and use of one off resources for 2016/2017 there remains a funding gap of £3.150m. At this stage it is proposed this gap be met from either council tax increase or use of transitional funding held in balances on a temporary basis.
- 7.3 Further work is continuing to develop a full suite of proposals to meet the 2017/2018 funding gap of circa £20.7m as well as the further savings forecast to be required through to 2019/2020 through continued review of all Council activities.

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 (currently 2%), and apply the 2% social care levy in each of the next four years. While decisions on application of these options will be made as part of the detailed budget planning on an annual basis, application of this in 2017/2018 would reduce the gap to circa £17.5m.

Further updates will be provided to Cabinet in due course and the Medium Term Financial Strategy 2016-2020 will be refined and updated as this work progresses.

## 8 Proposals to meet the funding gap 2016/2017

- 8.1 As part of the Budget Planning Framework for 2016/2017 Cabinet agreed in October 2015 to meet the funding gap by progressing the existing savings programme and developing a further programme of activity taking into account the strategic vision of the council's role in the future and reflecting the Council's Community Leadership role and Improvement Framework key principles. This involves further transforming service delivery, reducing service standards and commissioned activity and prioritising resources to support statutory requirements and key priorities:
- People - 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.
- 8.2 For all service areas this has included consideration of:
- Ensuring resources are targeted on statutory services and protecting key priority services;
  - Redesigning and reshaping services to deliver required outcomes at least cost;
  - Reduced commissioning and service standards;
  - Pressing forward with new alternative models of service delivery (ASDMs) at reduced cost and increasing commercialisation;
  - Continued focus on progressing Regeneration, Funding Leverage & Commercial Opportunities.
- 8.3 The proposed reductions have been prepared in accordance with the above. The Council's Efficiency strategy for the period 2016/2017 to 2019/2020 set out at Appendix Hi) provides further detail on the overall approach.
- 8.4 Summary of Proposed Reductions 2016/2017 and 2017/2018

Proposed reductions are summarised in the following table together with an indication of plans for 2017/2018.

	2016/17 £m	2017/18 £m
<b>On-going Reductions Plans</b>		
Other Services (Appendix C.1)	4.93	2.57
Contingencies and Central Resources (Appendix C.2)	12.58	1.10
Place and Economy Services (Appendix C.3)	6.32	4.73
People Services - Adults (Appendix C.4)	5.98	7.84
People Services - Children's (Appendix C.5)	2.70	3.18
<b>Total On-going Reductions Plan</b>	<b>32.51</b>	<b>19.42</b>
Use of One-Off Balances	8.94	0.00
Collection Fund Surplus - Council Tax	2.00	0.00
Council Tax Increase or Temporary Use of Balances	3.15	3.15
<b>Total Savings Proposals</b>	<b>46.60</b>	<b>22.57</b>

In relation to 2017/2018 further updates will be provided to Cabinet in due course and the Medium Term Financial Strategy 2016-20 will be refined and updated in parallel as this work progresses.

Further detail of the on-going proposals for reduction are set out at Appendix C.

- 8.5 In addition to on-going savings proposals set out at Appendix C, it is proposed to utilise £10.94m of one off funding on a one off basis to support the overall budget position and meet pressures identified at paragraph 6.
- 8.6 As reported as part of the 2015/2016 budget proposals some use of transitional resources is required to allow for the lead in times in delivering a small number of the savings proposals from 2015/2016. It is therefore proposed to utilise £2.9m earmarked transitional funds in 2016/2017 for this purpose.

## **9 Workforce Planning, Transformational costs and Capital Receipts Flexibilities**

- 9.1 One off transformational costs will arise through Workforce Planning project arrangements in order to assist in delivering the on-going reduction proposals for 2016/2017 and 2017/2018. This includes workforce planning costs which will arise in Sunderland Care and Support Limited as the Local Authority Controlled Company transforms service delivery in order to assist in delivering the Council's savings requirements. It is proposed these costs will be reimbursed by the council to the company on an invest-to-save basis.
- 9.2 Earmarked reserves are available to meet the estimated costs arising in 2015/2016 in support of the 2016/2017 savings plans and previous years savings plans.
- 9.3 In relation to costs arising in 2016/2017 in support of both 2016/2017 and 2017/2018 savings plans, it is proposed to ensure maximum flexibility for funding options available by drawing on new flexibilities announced as part of the Provisional Settlement allowing capital receipts generated in the years 2016/2017, 2017/2018 and 2018/2019 to be used to fund transformational costs incurred in those years. In order to comply with the new capital receipts flexibility requirements it is proposed to earmark capital receipts generated in 2016/2017 of £8.8m for this purpose. The council Efficiency Strategy is set out at Appendix Hi), and supports the government requirements in making use of these flexibilities in relation to 2016/2017 and 2017/2018 savings proposals. The requirements in respect of prudential indicators are reflected in the Capital Programme 2016/2017 and Treasury Management Policy and Strategy 2016/2017 Report elsewhere on this agenda.
- 9.4 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 2016/2017 will be considered as part of the outturn position taking account of the overall corporate outturn position, available reserves, and capital receipts availability.

## **10 Medium Term Financial Position**

10.1 In considering the Revenue Budget for 2016/2017 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 2016/2017 to 2019/2020 is set out at Appendix H.

## **11 Outcome of Budget Consultation**

11.1 The Budget and Policy Framework procedure rules contained within the Constitution of the Council requires consultation on budget proposals to take place. In October 2015 Cabinet approved proposals regarding the consultation strategy and framework for the budget for 2016/2017 involving the following stakeholders:

- Trade Unions;
- North East Chamber of Commerce/ Representatives of Business Ratepayers;
- Children's Trust Advisory Network
- Schools Forum, Head Teachers and Governors
- Communities including the voluntary sector.

11.2 In addition, residents, employees and workshop participants were invited to take part in a self-completion survey in order to ascertain their views about the Council's priorities and establish the acceptability of different approaches to addressing the budget cuts and also how Council services will be provided in future.

11.3 To supplement the survey and maximise engagement in the budget consultation process, area based workshops were held using established Area arrangements in the five Areas of the city. The events were open to local residents, VCS and other stakeholders, and an additional workshop was held with the Children's Trust Advisory Network. There were three main objectives to the workshops:

- Increase the number of survey responses.
- Increase the number of registrations on the Council's consultation web portal (and therefore enable us to re-engage with the participants in the future).
- Raise awareness of the budget setting process.

11.4 Budget consultation with these groups has concentrated on the overall approaches to meeting the budget challenge. Further detailed consultation in relation to the proposals will be undertaken, as appropriate, when the proposals are developed, or service review takes place. The results of this consultation will, in turn, inform the Equality Analysis of the proposals.

11.5 At each stage in the budget process Scrutiny Committee is being consulted.

- 11.6 In general the findings of the survey and discussions at the workshops demonstrate general support for the overall approach to meeting the budget challenge and indicate broad agreement with plans for transforming services to reduce costs. More details of the findings of the consultation are included in Appendix E.
- 11.7 All of the feedback from the various consultations has been considered in bringing together the budget proposals in this report.
- 11.8 The Revenue Budget Report to January Cabinet formed the basis for second stage consultation. The notes of the meetings with the representatives of business ratepayers and trades unions to meet statutory obligations to consult on the proposed budget will be tabled at the meeting as Appendix F.
- 11.9 A review of the 2016/2017 Budget Consultation arrangements will be undertaken to help inform proposed arrangements for the 2017/2018 consultation. The review will consider options for seeking to increase participation as well as improving the diversity of respondents to ensure the consultation is as representative of the city's population as possible.

## **12 Equality and the Budget Proposals**

- 12.1 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.
- 12.2 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.
- 12.3 Each Directorate has considered the Equality Analysis of their budget proposals. Where it is timely and appropriate an Equality Analysis (EA) has been completed (this is the Council's adopted approach to analysing and recording Equality Analysis). The detail of the analysis is dependent on the nature of the proposal and its stage of development. For those proposals which are not sufficiently detailed to undertake a full Equality Analysis at the present time, an initial consideration of the impacts has been undertaken. In these cases full analysis will be carried out when the proposals are further developed. Throughout the process, scope for mitigating any negative impacts on equality is considered.

- 12.4 Attached at Appendix C is a position statement in respect of the Equality Analysis for each proposal. The full Equality Analyses in respect of Appendix C (Savings Proposals) and Appendix G (Council Tax Proposal) that have been undertaken can be found at:

<http://www.sunderland.gov.uk/committees/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8696/Committee/1903/Default.aspx>

Members must read these 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 members' group rooms.

- 12.5 Further detail on the approach to Equality Analysis and a breakdown of the judgements made against the reduction proposals are set out at Appendix D.
- 12.6 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. The summary of impacts, by directorate, is outlined below:

	Other Proposals	Central	Place and Economy	People - Adults	People – Children's
Positive impact identified or anticipated	0	0	1	0	1
Negative impact identified or anticipated <i>Note 1</i>	0	0	5	0	1
Neutral impact identified or anticipated	1	0	9	4	1
Both positive and negative impacts identified or anticipated <i>Note 1</i>	1	0	0	6	2
Employee implications	11	0	3	3	1
No Equality Analysis needed	5	5	12	3	1
	<b>18</b>	<b>5</b>	<b>30</b>	<b>16</b>	<b>7</b>

*Note 1: Where the current draft of the Equality Analysis does identify potential negative impacts, the services will be considering how these impacts can be mitigated as far as possible during the development of detailed proposals.*

*Note 2: The number of impacts is greater than the number of proposals due to more than one element within a proposal (e.g. a service review with staffing implications)*

- 12.7 Across the five areas the judgements against the budget proposals are encouraging, with:
- Two proposals considered positive
  - Fifteen considered neutral
  - Six considered negative
  - Nine considered to have both positive and negative outcomes.
  - Eighteen focussed on staffing changes.
  - Twenty-six are considered to need no Equality Analysis. This is largely because the proposal has no service provision or external impact, or due to proposals focussing on income generation / commercial opportunities.
- 12.8 Actions arising from the equality analysis carried out to date will be taken forward by directorates.

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

- 13.1 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.
- 13.2 The estimated level of general balances as at 31st March 2016 and 31st March 2017 will be circulated separately at the Cabinet with the General Summary Page and proposed contingencies.
- 13.3 As agreed previously savings arising in 2015/2016 from Interest on Balances and Debt Charges, and unutilised contingency provisions will be utilised to fund one off spending pressures and transformational costs associated with implementing the budget proposals for 2015/2016 and 2016/2017.
- 13.4 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 I.
- 13.5 The Council has a range of earmarked reserves e.g. the Strategic Investment Reserve. The major earmarked reserves are set out at Appendix Ji) for information.
- 13.6 A review of Reserves held has been undertaken to ensure both the adequacy of the reserves held and identify any which can be released to support the budget for 2016/2017. As a result of the review it is proposed a number of specific purpose reserves as detailed at Appendix Jii) be released on a permanent basis to support the 2016/2017 budget.
- 13.7 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 her 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.
- 13.8 Based upon the information used in determining this Revenue Budget 2016/2017 report, including specifically:
- the Medium Term Financial Position;
  - the outcome of budget consultation set out at Appendix E;
  - the Statement of General Balances (to be tabled);
  - the Risk Analysis set out in Appendix I;
  - the Major Reserves set out in Appendix Ji.

The Revenue Budget is considered robust and the level of reserves considered to be adequate for 2016/2017 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 £7.570m to the end of 2016/2017 are in accordance with the existing policy and are considered prudent and robust given the overall level of reserves.

## **14 Detailed Budget 2016/2017**

- 14.1 As set out above since the initial budget proposals were formulated, consideration has been given to the outcome of the 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.
- 14.2 The Total Budget Requirement to be approved by the Council is funded through:
- Revenue Support Grant
  - Retained Business Rates
  - Top Up Grant
  - any projected surplus on the Collection Fund and
  - Council Tax.
- 14.3 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 10th February 2016.
- 14.4 The formal decisions of the major precepting bodies are awaited regarding their precept proposals for 2016/2017. Consequently, the Proposed Council Tax for 2016/2017 will be tabled as Appendix G to this report at the Cabinet meeting on 10th February 2016.

### **General**

- 14.5 Appendix K sets out the detailed Revenue Budget 2016/2017 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**

- 14.6 The presentation of the budget book shows the full cost of services, including an appropriate share of support service costs. As such support services are shown with a zero budget having been charged out to service users. This approach is consistent with the Service Reporting Code of Practice (SeRCoP) published by CIPFA which must be applied to all Local Government returns and external financial reporting.
- 14.7 It should be noted that variations between the budget for 2015/2016 and 2016/2017 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;
- a review of charging for central support services - while having no overall impact on the Council budget position, charges to individual services have been realigned;
- technical adjustments in relation to IAS19 pensions accounting and the impact of revaluation of assets.

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**

- 14.8 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. In addition the revised 2015/2016 position reflects the transfer into relevant base budgets of specific contingency provisions and earmarked reserves in respect of Children's Safeguarding and the in-year impact of Workforce Transformation.

### **15 Suggested Reason for Decision**

- 15.1 To comply with statutory requirements.

### **16 Alternative options to be considered and recommended to be rejected**

- 16.1 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 13th January 2016

- Revenue Budget 2016/2017 Proposals and Revenue Support Settlement 2016/2017
- Council Tax Base 2016/2017
- Business Rate Income Forecast 2016/2017 and Projected Business Rates Income Outturn 2015/2016

## Business Rates Income Forecast 2016/2017 and Projected Business Rates Income Outturn 2015/2016 - Final NNDR Form 1

### NATIONAL NON-DOMESTIC RATES RETURN - NNDR1 2016-17

Please e-mail to: [nndr.statistics@communities.gsi.gov.uk](mailto:nndr.statistics@communities.gsi.gov.uk) by no later than **31 January 2016**.  
In addition, a certified copy of the form should be returned by no later than **31 January 2016** to the same email address

**All figures must be entered in whole £**

If you are content with your answers please return this form to DCLG as soon as possible

Select your local authority's name from this list:

Stroud
Suffolk Coastal
Sunderland
Surrey Heath
Sutton
Swale

Authority Name  
E-code  
Local authority contact name  
Local authority contact number  
Local authority e-mail address

Sunderland
E4505

✓ Please enter the name of your authority contact  
✓ Please enter your authority contact's phone number  
✓ Please enter your authority contact's email address

Ver 1.3

Local Authority : Sunderland

Ver 1.3

#### PART 1B: PAYMENTS

**This page is for information only; please do not amend any of the figures**

The payments to be made, during the course of **2016-17** to:

- i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013;
- ii) major precepting authorities in accordance with Regulations 5, 6 and 7; and to be
- iii) transferred by the billing authority from its Collection Fund to its General Fund,

are set out below

	Column 1 Central Government	Column 2 Sunderland	Column 3	Column 4 Tyne and Wear Fire	Column 5 Total
<b>Retained NNDR shares</b>	£	£	£	£	£
13. % of non-domestic rating income to be allocated to each authority	50%	49%	0%	1%	100%
<b>Non-Domestic Rating Income for 2016-17</b>					
14. Non-domestic rating income from rates retention scheme	44,427,646	43,539,094	0	888,553	88,855,293
15. (less) qualifying relief in Enterprise Zones	34,790	0	0	0	34,790
16. Not used this year					
17. <b>TOTAL:</b>	<b>44,392,856</b>	<b>43,539,094</b>	<b>0</b>	<b>888,553</b>	<b>88,820,503</b>
<b>Other Income for 2016-17</b>					
18. add: cost of collection allowance		342,824			342,824
19. add: amounts retained in respect of Designated Areas		714,465			714,465
20. add: amounts retained in respect of renewable energy schemes		0	0		0
21. add: qualifying relief in Enterprise Zones		34,790	0	0	34,790
22. add: City of London Offset		0			0
23. Not used this year					
<b>Estimated Surplus/Deficit on Collection Fund</b>					
24. Estimated Surplus/Deficit at end of 2015-16	0	0	0	0	0
<b>TOTAL FOR THE YEAR</b>					
25. Total amount due to authorities	<b>44,392,856</b>	<b>44,631,173</b>	<b>0</b>	<b>888,553</b>	<b>89,912,582</b>

#### Certificate of Chief Financial Officer / Section 151 Officer

I confirm that the entries in this form are the best I can make on the information available to me and amounts are calculated in accordance with regulations made under Schedule 7B to the Local Government Act 1988. I also confirm that the authority has acted diligently in relation to the collection of non-domestic rates.

Name of Chief Financial Officer  
or Section 151 Officer : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

### Final Settlement 2016/2017

1. The final Local Government Finance Settlement for 2016/2017 was announced on 8<sup>th</sup> February 2016.
2. As part of this, Government announced:
  - That all Authorities are to receive at least the same amounts as those indicated in the 2016/17 Provisional Settlement;
  - Additional transitional grant funding of £300m, (£150m in 2016/17 and in 2017/18), to assist those authorities with the biggest cuts to their RSG allocations in the first 2 years of the 4 year funding settlement. Analysis shows that this funding will mainly benefit the shire county and shire district authorities;
  - Additional specific grant funding for rural councils through the Rural Services Delivery Grant which is to increase from £15.5m in 2015/16 to £80.5m. The grant was to increase by £4.5m in the provisional settlement, so further grant of £60.5m in 2016/17 has been made available by the government This benefits rural areas;
  - Four year funding settlement 'offer' acceptance deadline is 14th October 2016, as the government recognise authorities will need more time "to consider this offer and to formulate ways to translate this greater certainty into efficiency savings".
3. Final position for Sunderland:
  - Sunderland has not received any transitional funding. The Final Settlement has therefore confirmed no change in Government Core Funding for Sunderland compared to that announced in the Provisional Settlement:
    - Settlement Funding Assessment (SFA) - Revenue Support Grant (RSG)  
The final SFA for 2016/2017 is £150.7m including Revenue Support Grant of £36.3m. This still represents an overall net reduction in RSG compared to 2015/2016 of £15.5m (21.4%).
    - Core Spending Power  
The Government assessed Core Spending Power is £222.4m. The overall reduction in Core Spending power compared to 2015/2016 remains at £9.98m or 4.3% for 2016/17 which remains higher than the national average reduction of 2.3%. (The national average reduction in 2016/17 has reduced by 0.5% from 2.8% as a result of the additional funding announced by the government).

Over the 4 year settlement the council reduction to its core spending power funding remains unchanged at 2.8% however again the national average cut has reduced slightly to 0.4% (was 0.5%). This means that as a result of the final settlement the council is now seeing cuts to its

core spending power of 7 times more than the national average reduction (was 5 times the national average).

- At the time of finalising the budget the following grant allocations still remain outstanding:
  - Public Health
  - Council Tax Support Administration Subsidy

At this late stage it is therefore proposed to include provision for a best estimate of potential further grant reductions in these areas based on information available totalling £2.4m.

The assumed net reduction in funding of £2.4m, pending final confirmation of the position, will be met from one off resources for 2016/2017.

- The council will consider its response to the four year funding settlement 'offer' in light of the outcome of the review of Business Rates and the move to 100% retained business rates which is to be consulted upon in the spring, as this will be critical to the overall availability of funding for the city.

## 1. Other Services Proposals (Saving £4.932m 2016/17 and £2.574m 2017/18)

### 1.1 Full Year Impact of previous year's decisions (Saving - £0.300m 2016/17)

The ICT Unit will continue the consolidation of applications and associated licences, reducing the external spend on application support. This will be coupled with service redesign that will focus on demand management through increased self-service and improved service delivery processes.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: The savings will predominantly be delivered through a review of internal processes, internal support arrangements and restructuring of the workforce in these areas, therefore equality implications will be considered as part of Workforce Planning arrangements	

## Appendix C continued

### 1.2 Undertaking a review of the democratic decision function, member support, community leadership and electoral services arrangements (Saving - £0.271m in 2016/17)

A review of the democratic decision making model in line with Future Council 2020 thinking and member support is underway and proposals will be implemented that will ensure robust, integrated and effective governance arrangements are in place that will deliver the required savings. This will involve: the grouping of member Support Functions to rationalise ways of working and staffing structures,

#### 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: The savings will predominantly be delivered through a review of internal processes, internal support arrangements and restructuring of the workforce in these areas, therefore equality implications will be considered as part of Workforce Planning arrangements	

**1.3 Corporate ICT – Review of arrangements between ICT and Intelligence functions and seeking out commercial opportunities (Saving - £0.150m in 2016/17 and £0.754m in 2017/18)**

A review of the ICT structure, its assets, processes and how it integrates with the Intelligence Function will be undertaken to not only generate the savings required but also cultivate an organisation where information, data and insight flows into and from the council to support the council in fulfilling its key community leadership purpose and has an overall “Service orchestration-type” function connecting demand and supply, underpinned by customer insight and intelligence.

Managing the relationship with the Intelligence and ICT partners (and other commissioned capacity or capability) and the ability to trade will serve the core council and the wider eco-system of public to private enterprise to enable the following:

- Development of a new operating model that ensures the council has a robust and fit for purpose ICT service.
- Development of a new city blueprint - a framework of the essential digital and data skills, innovation processes and technology components.
- Maximisation of integration opportunities with the intelligence work; the developing software market in the city, the alignment with other key partners work in the city.
- Providing a robust business model which represents VFM.
- Ability to attract the right calibre of partner/s to the procurement exercise.
- Developing a strong client unit in the council.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon staffing changes, which will be considered as part of workforce planning arrangements, and increased income generation by delivering services to a wider range of customers therefore it is considered that no additional equality analysis is required.	

**1.4 Review of Business Support arrangements (Saving - £0.848m in 2016/17 and £0.848m in 2017/18)**

A full service review of business support arrangements is underway to ensure that they are streamlined to reflect the business support requirements that the future council will require. The review focusses on how to improve internal processes, deliver lower cost alternative delivery methods, manage demand and increase self-service, and reduce the service catalogue and resource ratios all of which will deliver the required efficiency 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project.	

**1.5 Review of the Transformational Change Team (Saving - £0.244m in 2016/17)**

A review of the Transformational Change Team is underway with a view to transforming it into a model that best serves the requirements of the future council. The service will be redesigned to focus resource on high value/risk priorities and will therefore no longer support low value/risk activity.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project. In developing future lists of projects that the Transformation Change Team are involved in, due consideration will be given to the impact of each project in relation to the protected characteristics.	

### 1.6 Integration of the Strategy Team and Partnership Team (Saving - £0.289m in 2016/17 and £0.050m in 2017/18)

A review will be undertaken to redesign a smaller, leaner Policy, Strategy and Partnership Team which can work more collaboratively with partners to maximise the efficiency, skills and value of the participating organisations whilst sourcing external expertise if needed. It will provide clear direction and common purpose and delivery support through the formulation of partnership-based strategy and relevant performance management arrangements within the council through to action and evidenced results.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: Some of the savings will need to come from the service review to redesign a smaller and leaner team, these workforce changes will need to be considered as part of the Organisational Workforce Planning arrangements. Some of the savings will need to come from non-staffing costs such as partnership and community safety activity, corporate subscriptions and the commissioning of specialist consultants, for example, for economic studies. The equality impact of stopping partnership and community safety activity will require equality analysis. There may be opportunity to realise positive equality impacts through aligning our work with the work of our partners and the Equality Forums, this will be explored as part of the Equality Analysis process.	

### 1.7 Migration of HR and OD into separate delivery model (Saving - £0.300m in 2016/17 and £0.100m in 2017/18)

It is proposed that HR and OD will transfer initially into a LATC which will allow it to trade in the private sector. By definition, ASDMs will be more commercially minded and will be focussed on growing the business beyond the core commission. In addition to increasing income, the creation of the LATC will assist in reducing future costs. Recognising that the Council transfer of assets such as staff, systems and knowledge will be critical in actually forming the business, it is assumed in return that increased income generated by any new ASDM through business growth for the period up to 2020 will be passported back to the authority by way of a reduction in the value of the core commission.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: It is considered that an equality analysis is required as this efficiency will be achieved through the creation of a new delivery model for HR&OD services focussing on savings from changes to staffing arrangements and conditions. The equality analysis will be carried out at an appropriate time when options for future terms and conditions can be considered alongside the make up of the workforce that would be TUPE transferring (N.B. any revised terms and conditions will only affect new starters).	

**1.8 Review of Corporate Affairs and Communication arrangements (Saving - £0.836m in 2016/17 and £0.038m in 2017/18)**

By 2020 the council will need a different sort of Corporate Affairs and Communications service to reflect its smaller size and its changed role of being more of a facilitating and enabling commissioner of services. In order to ensure the Council continues to have an effective media relations, corporate communications and reputation and influencing corporate affairs resource, going forward, the team will be re-organised with responsibilities being realigned. We will also start to devolve the People, Place and Economy marketing communications to the service areas in readiness for moving to alternative delivery models. In addition to the restructure a proportionate reduction in non-staff spend reflecting changing priorities / size and shape of the future council will be managed out.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project.	

**1.9 Review of Tourism arrangements (Saving - £0.024m in 2016/17)**

A proportionate reduction in non-staff spend, i.e. marketing and publicity materials will be implemented in order to contribute to savings targets.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: As the modest saving relates to publicity and marketing materials it is felt that no equality analysis is required.	

**1.10 Review of Events Core Programme funding arrangements and income generation (Saving - £0.150m in 2016/17 and £0.100m in 2017/18)**

The Sunderland Live Team has been in existence for three years now and it is felt that the organisation is now mature enough that the Council's contribution to the Events Core Programme can be reduced. The reduction in the Council contribution will be matched by external funding arising from greater encouragement of event sponsorship and also increased income opportunities.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment The saving is based upon reducing the funding that the Council contributes towards the Events Core Programme by increasing the level of external funding sourced for events and also maximising income generation opportunities through the events themselves therefore it is felt that no equality analysis is required.	

**1.11 Review of Legal Services arrangements and Governance Services (Saving - £0.213m in 2016/17 and £0.037m in 2017/18)**

A review of Legal & Democratic Services is under way to ensure the team is organised to support the on-going requirements of the council, through the transformation process and beyond, at the same time ensuring we can ensure compliance with legal requirements and reduce the risk of legal challenge. This review will therefore focus on a structural review of the Legal Services teams and further integration of work.

A review of the Governance Service function has been undertaken and has identified that savings can be generated by reducing the types of meetings that are serviced by the Governance Services Team to only formal Cabinet, Council, Committee, etc. Meetings, combining support to the corporate complaints and information governance functions, and on-going income generation. In addition to this, consideration will be given to how the number of meetings and the decision making and recording process could also be streamlined. These changes will be accommodated in a reconfiguration of Governance Services, Information and Complaints functions.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project.	

**1.12 Assurance, Procurement and Projects Review (Saving - £0.329m in 2016/17 and £0.145m in 2017/18)**

The service will reduce the level of audit, risk and project support available for transformational change and service delivery. Alongside the reduction in audit and risk support, managers across the Council will have access to further guidance so that they are able to self-serve for those areas that have not been prioritised. In addition to resource reductions, the service area will seek to further increase income generated for liability claims handling for external organisations.

In order to generate savings, the procurement service will look to greater use of national and regional framework procurement contracts which will reduce the resource required on developing and managing Council procurement exercises. The level of procurement support offered to commissioners \ managers will also be reviewed whilst at the same time additional focussed support on contract management will be provided. All central support and oversights for procurements up to £10,000 will be removed and managers across the Council will be expected to self-serve in line with corporate guidelines. Increased income will be generated from procurement rebates received from NEPO contracts.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	✓
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project. There is an element of income generation covered within the proposal but this has no impact on front line services therefore it is considered that equality analysis is not required. Equality is already written into the procurement process and managers will be expected to continue to follow this process	

**1.13 Review of Financial Resources arrangements, including transactional services (Saving - £0.328m in 2016/17 and £0.502m in 2017/18)**

Financial Resources will reconfigure the service to reflect the reducing customer base (e.g. leisure JV and other potential ASDMs), and the increased focus on commissioning services. A core team will be developed in Financial Resources which ensures that the Council benefits from any savings prior to the likely creation of ASDMs. This approach will also ensure that a sustainable, quality, flexible and efficient resource is in place whilst ensuring financial stability and minimising the risk to the Council in the future.

The Council has been extremely successful in applying for external funding streams from both the Government and the European Union. It is envisaged that the success that the Council has enjoyed will continue and as a consequence management fee income for the External Funding Unit are expected to increase.

A review of Transactional Services will lead to a restructured service based upon the following key areas:

- Reviewing and improving processes around the whole procure to pay cycle including the use of technology to automate activity and maximise efficiency.
- Considering level of support that the reduced Council will require.
- Increasing officer self-service relating to the ordering function.
- Reviewing and improving processes around the whole sales to cash cycle including the use of technology to automate activity and maximise efficiency.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	✓
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project. One saving relates entirely to increased management fees arising from successful grant applications therefore it is considered that no equality assessment is required.	

**1.14 General Review of Management Arrangements (Saving - £0.650m 2016/17)**

Review of structures to ensure meets needs going forward.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A significant element of the above savings relates to staffing changes which will be considered as part of the Workforce Planning Project.	

**2. Contingencies and Central Resources (£12.572m 2016/17 and £1.100m 2017/18)**

**2.1 Review of Corporate Allocations - Debt Charges Provision (£8.056m in 2016/17)**

A review of debt charge provision based on existing capital programme, and reflecting the on-going work to accelerate capital receipts realisation to support the capital programme which also facilitate private sector residential and commercial development in the city.

In addition, consistent with many other Local Authorities, a new approach to the annual repayment of borrowing - the minimum revenue provision - is being considered. The proposed approach would change the repayment to an annuity basis, from the current practice of Equal Instalment of Principal repayments. This change is deemed more prudent. The financial impact of this change is reflected in the debt charge provision.

**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 equality implications will be considered as part of Workforce Planning arrangements	
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	

**2.2 Business Rates Growth (£0.700m 2016/17 and £0.500m 2017/18)**

The anticipated increase in Business Rates growth over and above normal inflationary increases, taking into account planned developments in the city, RPI adjustments and Section 31 grant income provided as a consequence of various government reliefs introduced. The exact amount of growth will be confirmed upon completion of the NNDR1 form for 2016/17.

**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 equality implications will be considered as part of Workforce Planning arrangements	
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	

**2.3 Council Tax Growth and New Homes Bonus (£2.178m 2016/17 and £0.600m 2017/18)**

Increase in Council tax Base and New Homes Bonus), reflecting known and planned increases to residential property in the city.

**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 equality implications will be considered as part of Workforce Planning arrangements	
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	

**2.4 NECA – ITA Transport Levy (£0.542m in 2016/17)**

This saving will arise through the proposed reduction to the Tyne and Wear Transport Levy for Sunderland in 2016/2017.

**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 equality implications will be considered as part of Workforce Planning arrangements	
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	

**2.5 Review of Corporate Allocations - Contingencies (£1.096m in 2016/17)**

A review of contingencies has freed up savings, particularly in relation to utilities and fuel. The current low oil and gas prices, couple with extensive property rationalisation and energy efficiency work, has allowed for the release of contingencies earmarked for utility and fuel inflation. In addition, further in depth review of contingencies, has freed up further resource no longer required.

**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 equality implications will be considered as part of Workforce Planning arrangements	
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	

**3. Place and Economy (Saving - £6.323m 2016/17 and £4.726 2017/18)**

**3.1 Full Year Impact of previous year's decisions (Saving - £1.207m 2016/17)**

Proposals Agreed as part of last year's budget setting, in relation to:

**Street Scene Citywide - £0.842m**

Continuation and introduction of a range of measures to maximise income from waste collection, including through reviewing existing charges and introducing new charging, specifically in relation to garden waste.

Reducing demand to enable the reduction of staff through natural turnover and workforce planning.

Increased income from Bereavement Service to be realised by increasing charges by 5%, which, analysis of neighbouring authorities charges, highlights will still be comparable.

**Street Scene Highways, Transportation and Network Management - £0.005m**

Increased fee income associated with skip permits and Traffic Regulation Orders.

**Street Scene Responsive - £0.350m**

Continued savings following the service re-design undertaken during 2015/2016 that reduces the cost of operational supervision with staff released through workforce planning with fixed term staff and apprentices integrated into core to facilitate continuity of service.

Continual reduction and transfer of responsibility to the community / community organisations focussed on horticultural activity.

**Design Services – review of operational costs / income - £0.010m**

The maximisation of income earning opportunities will be delivered, with the emphasis on project management and building management, to a range of clients including through increased charges to the capital programme and schools.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓ (3)
No Equality Analysis Required	✓ (1,2,4)
<p>Additional Comment:</p> <p>These savings represent the full year effect of savings commenced part of the way through a year. Equality Analysis was undertaken as part of the 2015/16 budget setting process regarding these proposals the most notable of which revealed the following:</p> <p>1 Waste Collection income - The Council collects garden waste from approximately 80,000 residential households on a fortnightly basis. It is proposed that residents will have the option to pay an annual fee to continue with the service or they can opt out of the service but will be able to use either alternative free recycling services (self-serve delivery) or use their green residual waste bin which will continue to be collected free of charge. Assisted collections for aged and infirm residents in relation to garden waste will continue and refuse collection frequencies will not change.</p> <p>2 Other Waste Collection initiatives– A number of initiatives do not require Equality Analysis as they are either back office functions, changes to existing work practices to extract more value across the board price increase for existing trade waste customers, including:</p> <ul style="list-style-type: none"> <li>• Increased recycling by improved investment in waste communications</li> <li>• More in house waste skip reductions</li> </ul> <p>3 Review of RLS operations - A significant element of this saving relates to staffing changes which were considered as part of the Workforce Planning Project.</p> <p>4 A review of income earning potential has been undertaken in Design Services which has revealed that income can be increased through a greater emphasis on project management and building management, to a range of clients including through increased charges to the capital programme and schools. This element of proposal does not affect any front line service users therefore no Equality Analysis is required.</p>	

### 3.2 Place Management - Cost Reductions through ASDM (Saving - £1.025m in 2016/17, £1.075m in 2017/18)

It is proposed that Place Management related services will transfer initially into a LATC which will allow it to trade in the private sector and beyond Sunderland's boundaries. In addition to increasing income, the creation of the LATC will assist in reducing future costs in these broad areas:

- Improved productivity – An element of employee ownership or interest is proven to lead to improved productivity growth and efficiency resulting in a smaller overall workforce and reduction in non-staff related costs. These savings typically range from between 1% to 5% of expenditure.
- Rationalised management and supervisory arrangements – The amalgamation of a broad range services from different parts of the current organisation into a single coherent Place Management service along with the contraction in scale of the services provided will promote a rationalisation of management and supervisory structures.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: It is considered that an equality analysis is required as this efficiency will be achieved through the creation of a new delivery model for place based services focussing on savings from improved productivity and staffing arrangements. The equality analysis will be carried out in the later half of 2016 when options for the composition of the LATC are clearer and can be considered alongside the make up of the workforce that would be TUPE transferring.	

### 3.3 Place Management - Business growth through ASDM (Saving - £0.097m in 2016/17, £0.350m in 2017/18)

By definition, ASDMs will be more commercially minded and will be focussed on growing the business beyond the core commission. Recognising that the Council transfer of assets such as staff and operational depots will be critical in actually forming the business, it is assumed in return that increased income generated by any new ASDM through business growth for the period up to 2020 will be passported back to the authority by way of a reduction in the value of the core commission.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon increased income generation by delivering services to a wider range of customers therefore it is considered that no equality analysis is required.	

**3.4 Responsive Local Services (Saving - £2.350m in 2016/17)**

Place Boards and Area Committees will be involved in defining the specification for Responsive Local Services, but with a much reduced level of resource. The 2020 budget setting process determines the budget reduction (£2.35m) and the available budget for 2016/17 onwards (£4.065m).

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: Although the impact on groups with protected characteristics will be identified when the detail of the revised patterns of service delivery is established, it is inevitable that there will be a reduction in the frequency and availability of some areas of service delivery which may affect those categories that are "less" mobile i.e. the young, the aged, disabled persons and pregnant \ maternity characteristics. Mitigating actions to minimise the negative impact will be considered when the Equality Analysis is undertaken	

**3.5 Parking Services (Saving - £0.080m in 2016/17, £0.350m in 2017/18)**

Efficiencies will be delivered through the expansion of measures in the Parking Plan. These measures can be summarised as follows:

- Annual increases in parking tariffs of 10p per hour.
- Charging for a number of car parks situated near or adjacent to retail/business areas which are currently free
- Increasing the number of on-street parking bays
- Increasing the cost of staff parking permits
- Increasing the charge for parking waivers

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>The Parking Plan 2014 to 2020 identifies the approach that the Council will take to parking provision and management during the course of the next 4 years. It identifies guiding principles and policies that inform the approach to parking management arising from the changing need brought about by the City's economic development and regeneration plans. An Equality Analysis which evaluates the Parking Plan as regards its potential impact on future parking provision and management in the City has been undertaken and has identified the following positive impacts:</p> <ul style="list-style-type: none"> <li>• All age groups will benefit from delivery of priorities that support improvements in road safety and accessibility arising from effective parking management and enforcement activity.</li> <li>• Disabled persons, pregnant people and parents using pushchairs are likely to benefit from effective enforcement that reduces obstructions caused by parked vehicles to pavements.</li> </ul> <p>The initiatives that are outlined in the report, and are proposed to be implemented between 2016 and 2018, reflect the principles of the Parking Plan, therefore it is felt that they are covered by the Equality Analysis relating to the Parking Plan.</p>	

**3.6 Highways Maintenance (Saving - £0.150m in 2016/17 and £0.150m in 2017/18)**

The revenue element of the highways budget funds day to day maintenance of the asset and reactive repairs. As a consequence of previous budget reductions only urgent reactive work is currently undertaken. It is proposed to reduce reactive activity further which will impact on: road and footway maintenance, guardrail and safety fence maintenance, road marking and emergency repair standards.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The proposal is based predominantly upon reducing the revenue funding for highways maintenance and mitigating the impact of this by taking a more focussed approach to the prioritisation of work in order to maintain service levels as much as possible within the constraints of the funding. Equality Analysis has identified that whilst all road and footpath users will be affected, there may be an increased likelihood of a negative impact on the elderly, very young, disabled, pregnant people and parents with pushchairs as the volume of maintenance and repairs decreases. The Impact of this however will be offset to a certain extent by maximising benefits derived from capital investment and schemes.	

**3.7 Bereavement (Saving - £0.040m in 2016/17 and £0.150m in 2017/18)**

The Bereavement Service will continue to contribute to council efficiencies through modest annual increases in the fees for burial and cremation and developing an improved range of options for memorialisation services available to residents to purchase. The future focus of the bereavement service will be around improving operational efficiency, income, and service to users.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>Bereavement and Registration Fees have been Equality Analysed and although any cost increases will impact on everyone who uses the service, it has been deemed that there is a neutral impact as it does not have a disproportionate impact on any of the protected characteristic groups.</p> <p>Bereavement Services will continue to provide for Contract Funerals, with dedicated times established daily in the cremation and burial diaries to accommodate such requests. In order to alleviate the financial pressures of funerals, the Dignity group currently hold the Contract Funeral contract, and DWP will continue to make provision in the form of a bereavement payment to families who are deemed to be in hardship and qualify for the allowance.</p>	

**3.8 Security Services (Saving - £0.078m in 2016/17 and £0.094m in 2017/18)**

It is proposed that a range of security service commissioned activity will be stopped as follows:

Stop the park and cemetery gates opening and closing service - This would create an open park policy 24/7 and remove the park wardens at Barnes Park, Mowbray Park and the mobile service, whilst security requirements for events will be paid for by the organisers. Communities in the vicinity of parks will be given the option to open and close park gates if they consider it a priority.

Remove the subsidy of the Taxi Marshalling Service - This service was originally provided by Northumbria Police and was joint-funded with a contribution from the council. The Police have since withdrawn funding. The service currently operates Friday, Saturday & Monday nights between the hours of 23.00 - 05.00. The removal of Council subsidy would result in either the service stopping, or preferably, the required funding being made up by partners benefiting from it including taxi firms and licensed premises operators. The current contract has two years still to run, therefore, this would come into effect in mid-2017/18.

Rationalise CCTV and alarms panel monitoring - The City Alarm & Emergency Centre has increasingly supported a range of partner organisations as their funding has diminished. It is proposed to rationalise the number of CCTV cameras being monitored through dialogue with partners or transferring responsibility or costs back to them. The reduction would include Northumbria Police City Centre system, street cameras and would enable a reduction in staffing levels and / or removing certain shifts.

**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	✓1
Equality analysis is planned and a neutral impact is anticipated	✓3
Equality analysis is complete and a negative impact has been identified	✓2
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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>1 Stopping the park gates opening and closing service and removing the park warden patrols will have a universal impact on all people who visit or pass through the Council's Parks. Past experience of removing the park warden patrols in Roker Park and Thomson Park in 2010 has revealed that there was no significant increase in incidents or anti-social behaviour. Security for Mowbray Park has already been reviewed and we have improved levels of security by installing 4G cctv cameras and columns whilst also improving sightlines by removing large areas of overgrown shrubbery. Consideration will be given to implementing a communication campaign on safety awareness, tailored to the needs of all visitors, whilst using the parks.</p> <p>2 All those who use taxi rank facilities in the City Centre will be affected by the withdrawal of the taxi marshal funding. However, incident logs demonstrate that the small amount of incidents reported largely involve incidents with young males. Therefore there may be a slightly larger impact on these groups. The views of partner organisations on the potential impact of removing the Taxi Marshall service in relation to the protected characteristic groupings will be sought in due course and mitigating actions will be considered if necessary.</p> <p>3 Prior to the removal of any cameras, a risk assessment will be undertaken which will take into account not only the number of incidents but also the demographics of the area.</p>	

**3.9 Pest Control and Dog Warden Service (Saving - £0.060m in 2016/17)**

Charges were introduced for pests other than rats in 2014/15. It is proposed that either charges will be applied for rats in 2016/17 to fully recover the cost of the service or the service will be stopped and residents would then be signposted to private providers.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The introduction of charges will have the same impact on all people who would use the service as it will be universally applied, therefore there is no disproportionate impact on any of the protected characteristic groups.	

**3.10 Place Shaping - Cost Reduction through ASDM (No Saving in 2016/17 and £0.790m in 2017/18)**

It is proposed that Place Shaping related services will transfer into an ASDM(s) which will allow it to trade in the private sector and beyond Sunderland’s boundaries. In addition to increasing income, the creation of the ASDM(s) will assist in reducing future costs in these broad areas:

- Improved productivity – An element of employee ownership or interest is proven to lead to improved productivity, again resulting in a smaller overall workforce and reduction in non-staff related costs. These savings typically range between 1% to 5% of expenditure.
- Rationalised management and supervisory arrangements – The amalgamation of a broad range services from different parts of the current organisation into a single coherent Place Shaping service along with the contraction in scale of the services provided will promote a rationalisation of management and supervisory structures.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment It is considered that an equality analysis is required as this efficiency will be achieved through the creation of a new delivery model for place shaping based services focussing on savings from improved productivity and staffing arrangements. The equality analysis will be carried out in late 2016 early 2017 when options for the composition of the ASDM(s) are clearer and can be considered alongside the make up of the workforce that would be TUPE transferring	

**3.11 Place Shaping - Business growth through ASDM (Saving - £0.100m in 2016/17 and £0.100m in 2017/18)**

By definition, ASDMs will be more commercially minded and will be focussed on growing the business beyond the core commission. Recognising that the Council transfer of assets such as staff and operational depots will be critical in actually forming the business, it is assumed in return that increased income generated by any new ASDM through business growth for the period up to 2020 will be passported back to the authority by way of a reduction in the value of the core commission.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon increased income generation by delivering services to a wider range of customers therefore it is considered that no equality analysis is required.	

**3.12 Highways, Transportation and Network Management (Saving - £0.150m in 2016/17 and £0.240m in 2017/18)**

The focus is on maximising fee-earning whilst evaluating the impact and contribution of non-statutory and non-fee earning activity, principally in respect of road safety, and minimising the cost of this as far as possible. Although some road safety activity such as cycle / pedestrian training is part-funded by fees, not all costs are covered and these activities will be stopped.

Increased fee earning opportunities - Additional income will be generated through a more proactive approach to working with developers to support the design and delivery of highways improvements required by new planning permissions. The cost of statutory advertisements will be reduced and charges for permits will be increased.

Rationalise the School Crossing Patrol service - It is proposed to carry out a risk assessment on all crossing patrol sites to identify sites where existing traffic controls, e.g. pedestrian crossings, are sufficient to allow safe movement, or where the installation of such measures could reduce the need for school crossing patrols. Schools will be involved in the process.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: Prior to any service reduction being implemented on a school crossing patrol, a risk assessment will be undertaken taking into account all relevant intelligence related to accidents involving children and other user groups.	

**3.13 Building Control (Saving - £0.100m in 2016/17 and £0.100m in 2017/18)**

Income will be increased through a more proactive approach to engaging developers at the pre-application stage in planning and expanding the geographical coverage of building control through partnership arrangements.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon increased income generation by delivering services to a wider range of customers therefore it is considered that no equality analysis is required.	

**3.14 Development Control (Saving - £0.100m in 2016/17 and £0.100m in 2017/18)**

It is proposed to create a Major Development team (from existing staff) which will focus on attracting business via the pre-application process so that strategic and major developments within the City can be effectively project managed through the use of Planning Performance Agreements.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon amalgamating various planning related functions together which will allow for efficiencies to be realised through workforce planning arrangements as well as increased income generation by delivering services to a wider range of customers therefore it is considered that no equality analysis is required.	

**3.15 Public Protection and Regulatory Services (Saving - £0.105m in 2016/17 and £0.090m in 2017/18)**

Savings will be made through integrating the statutory housing environmental health and licensing functions into the broader public protection structure and embedding the housing renewal function into the new Planning and Regeneration service with a renewed focus on developing and delivering the broader housing strategy.

The service will focus on high risk \ priority work with lower risk \ priority work being undertaken on a reduced reactive basis. In general terms, the service will need to further concentrate on matters affecting broad sectors of the populace.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>The saving arises from integrating the statutory housing environmental health and licensing functions into the broader public protection structure and embedding the housing renewal function into the new Planning and Regeneration service which will allow for a reduction in staff numbers. The reduction in staffing numbers will reduce the number of interventions, however this will be mitigated through the targeting of interventions on those areas of highest risk. The integration will however, increase the pool of people from a similar specialism which should assist in improving overall resilience of the service.</p> <p>The focus on a risk based approach will impact on all service users equally; therefore a neutral impact is envisaged.</p>	

**3.16 Asset Management (Saving - £0.050m in 2016/17 and £0.050m in 2017/18)**

Savings will be realised via a review of the Council’s statutory responsibility for asbestos management, electricity at work, water hygiene etc. as well as the Estates Surveying function which would be retained as part of potential overall package of services likely to benefit from commercial opportunities.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: This efficiency is based upon amalgamating various statutory and estates related functions together which will allow for increased income generation by delivering services to a wider range of customers therefore it is considered that no equality analysis is required.	

**3.17 Miscellaneous Land and Property and Industrial Units Review Saving - £0.050m in 2016/17 and £0.050m in 2017/18)**

A review of miscellaneous land and property and industrial units holdings, rents and leases will be undertaken to identify increased income opportunities and options for disposing of property that does not meet corporate priorities or provide an acceptable return.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: A review of holdings is currently being undertaken by CIPFA which will highlight where income opportunities exist in relation to miscellaneous land and property and industrial units. The saving will have no impact on protected characteristics therefore an equality analysis is not required.	

**3.18 Waste Disposal (Saving - £0.085m in 2016/17 and £0.311m in 2017/18)**

The cost of waste disposal will be reduced by encouraging the public to cut the amount of waste they produce and divert as much as possible into the blue recycling bin. This approach will use secured external funding to deliver a planned programme of targeted incentives and marketing. Recycling will be included in the trade waste offer.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: This saving relates to an on-going campaign in which the public are encouraged to separate out more of their waste for recycling than they have been doing previously therefore no equality analysis is required.	

**3.19 Registrars (Saving - £0.050m in 2016/17 and £0.050m in 2017/18)**

Fees will be reviewed and increased in line with regional trends projected to be around 5% per annum.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>Registration Fees have been Equality Analysed and although any cost increases will impact on everyone who uses the service, it has been deemed that there is a neutral impact as it does not have a disproportionate impact on any of the protected characteristic groups.</p> <p>Many of the fees and charges levied by the Registration Service are statutory fees determined by central government legislation. Fees for birth, death, marriage and civil partnership certified copy certificates are set by statute. Other statutory fees include the notice of marriage / civil partnership fee and the statutory marriage / civil partnership fee for Register Office ceremonies. Many customers who use the Registration Service require a statutory service, and are therefore charged accordingly. The proposed increases are on fees that are optional to customers, i.e. non statutory for which the customer can chose not to take up the offer.</p>	

**3.20 The Port (Saving - £0.100m in 2016/17 and £0.100m in 2017/18)**

The Port of Sunderland will improve its trading position through a combination of reduced operating costs and increases in income primed by investments made in port infrastructure and preparing sites within the estate for development.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: The saving will be realised through improved trading at the Port therefore it is considered that no Equality Analysis is required as no protected characteristic groups will be affected.	

**3.21 Street Lighting (No Saving in 2016/17 and £0.150m in 2017/18)**

A programme of changing conventional lighting to LEDs in residential areas to reduce energy costs is programmed to start in 2015/16 and resulting savings are already accounted for. It is proposed to expand this approach to highways lighting in 2017/18, by which time it is judged that the cost of the technology for these large lamps will fall within the scope of capital invest to save.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>The proposal is to replace approximately 48,000 lighting columns on highways with energy efficient LED lighting (22,000 for implementation on 2017/18) which will result in lower energy costs and lower carbon emissions. Residents and visitors to areas where the new lighting 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>Feedback from the initial pilot LED scheme in Farringdon 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. Conversely there was some very limited negative feedback relating to people that preferred the “benefits” of light pollution into their gardens and onto their property.</p>	

### 3.22 Business Investment, including International Development (Saving - £0.196m in 2016/17 and £0.176m in 2017/18)

It is proposed that the revenue grants provided to SMEs by reduced on the following phased basis: 25% in 2016/17, 25% in 2017/18 and 50% in 2018/19 in order to remove the £0.238m budget allocation by April 2019. The proposal excludes any changes to the revenue software grants budget which is needed as match-funding to support an ERDF application to fund Sunderland Software City.

The phasing should allow most existing commitments to be maintained and implementation of the reductions will be managed carefully to minimise impact on the businesses community. Wherever possible, an attempt is made to support companies to access other sources of funding including national and European funding sources.

The proposed savings also take account of continuing the excellent performance of the Evolve Business Centre, and further development of occupancy rates at Software Centre, with assumed occupancy of 55% through 2016/17, 70% through 2017/18, 80% through 2018/19 and 90% through 2019/20.

#### 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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The proposal relates to a reduction in the financial incentives scheme budget and the introduction of income targets at Evolve and the Software Centre. Equality Analysis has been undertaken in relation to the proposal and it is felt that there will be a negative impact on males between the age of 25-49 who make up 61% of the grant beneficiaries where details have been provided. We will continue to develop a more focused financial incentives offer, directed at stimulating growth and job creation in agreed priority sectors, including strengthening links to support city businesses in accessing other funding opportunities. We will also look at opportunities to identify appropriate external funding which can assist the Council in providing financial support to businesses. We will strengthen relationships with colleagues internally and externally to maximise the potential for all Sunderland residents to be able to take up job opportunities that are created.	

**3.23 Fleet (Saving - £0.150m in 2016/17 and £0.250m in 2017/18)**

The Fleet and Transport review will continue to capture further efficiencies as the council reduces in size over the next 5 years. Fleet will work with other areas to maximise vehicle reductions as part of planned service reconfigurations.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: The Transport and Fleet Review proposes a continuation of the rationalisation of the number of vehicles the Council operates, by ensuring that excess vehicle capacity is eradicated. Fleet is a support service and any reduction in vehicles is generated by changes in service areas across the Council and it is at these points that service areas would consider the equality impacts of their proposals. Where directorates come up with specific proposals which could impact on service users or staff, these will be subject to a further Equality Analysis at the appropriate time.	

**4. Peoples (Adults) (Saving £5.981m 2016/17 and £7.838m 2017/18)**

**4.1 Full Year Impact of previous year's decisions (Saving - £0.553m 2016/17)**

As part of the 2015/16 budget proposals a number of proposals were agreed that delivered efficiencies over a longer period. These included the implementation of the LATC 2 Business Plan through service review.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: Equality analysis has previously been undertaken	

**4.2 Adults Social Care – Older Persons (Cost £0.336m 2016/17 and Saving £0.289m 2017/18)**

Support for Older People – An annual reduction of 4% in the use of residential care to reflect more appropriate accommodation and support independence and choice. This will be supported by extra investment and better targeting of accommodation in Extra Care as an alternative. In total a net saving of £1.464m by 2020 will be achieved.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The reduction in the use of residential care will occur naturally as more service users are better supported within Extra Care (semi-independent living). No existing residents of residential care homes will be required to move out of residential care as a result of this initiative and new customers will continue to be able to access residential care if this is agreed as being the best way to support their assessed care needs. Through carrying out assessment and better aligning need with intelligence there should be no negative impacts.	

**4.3 Support for Vulnerable Clients – Home Care (£0.447m saving 2016/17 and £0.424m saving 2017/18)**

5% reduction in each of the next 2 years by working more flexibly with providers to commission support focused on outcomes as opposed to tasks.

Plans are in place to support them to work more flexibly in meeting client outcomes within a locality. This will include more discussion with clients as to how they would wish support to be delivered in meeting outcomes and needs and will allow providers to plan their support more effectively, thereby delivering savings on block contracts.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: Plan is to re-model service offer but to still meet needs of eligible clients in line with the requirements of the Care Act. It is anticipated that, overall, the impact of the proposal will be neutral but it may vary depending on the individual clients. For example, some clients may experience a positive impact through a more flexible and targeted approach but until we have a better understanding of how the commissioned services will meet individual needs, we can't fully assess the impacts.	

**4.4 Reablement at Home (£0.200 saving 2016/17)**

Review and reduction of hourly rate paid to Sunderland Care and Support for delivery of this service.

There will be a review of how the current service is delivered including consideration of the outcomes achieved. The current cost of this service is higher than benchmark comparisons and higher than the cost for other services delivered by SCAS and this will be addressed.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: Unit cost issue with contracted provider. No impact on service users	

**4.5 Community Equipment Service (Saving - £0.200m in 2016/17 and £0.200m in 2017/18)**

A full review of the Equipment Service will be undertaken with the intention of providing a more effective and efficient service, particularly for smaller equipment. This will involve better signposting and opportunities to purchase equipment directly thereby removing delay caused by the need for an eligibility assessment.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment:  RPIW event planned for February to look at model of service. This may result in restrictions to certain items of equipment and moving to a retail model. Although people will still get the small equipment they need based on assessment, they may get equipment sooner if they choose to buy it (positive impact) but they may also pay for equipment that they could have received for free if they had waited for an assessment (negative impact). To get a full understanding of the impact, equipment data will be examined to understand for example, who had made requests, the equipment provided and the number of assessments that resulted in no further action.	

**4.6 Adults with Learning Disabilities and Physical Disabilities – Support for those living in Residential Care and those receiving short breaks (Saving - £0.451m in 2016/17 and £0.292m in 2017/18)**

Residential Provision currently registered as care homes will be de-registered. This will support the independence of residents and allow them to claim housing benefit to contribute to the rent costs of their accommodation.

Support for those receiving full-time residential care will be reviewed to ensure there is no duplication of provision.

Opportunities to reduce the average number of short break nights individuals living in the community receive will be considered as appropriate

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
<p>Additional Comment:</p> <p>The changes relate mainly to services provided to people with learning disabilities.</p> <p>The deregistrations programme is already underway and impact is positive. This is due to individuals gaining greater tenancy rights and more independence.</p> <p>Duplication for support in full-time residential care can occur when the council pays for a client to be in residential care and then pays again for the client to access day services. This should be something that the residential care provider offers, There is a potential negative impact if the residential care provider doesn't offer the same quality of access to day services. This will be looked at on an individual basis to ensure impacts are understood.</p> <p>There is a large difference in numbers of short break nights provided for individuals to allow that carers use for respite. This will be assessed on an individual basis to make sure the breaks are aimed at meeting the carers' needs. If this review results in less respite days being awarded, because they were being used to support the individual's enjoyment, as opposed to meeting the needs of the carer, there is a possible negative effect for the individual.</p>	

**4.7 Adults with Learning Disabilities and Physical Disabilities - Review of Day Care opportunities (Saving - £1.500m in 2016/17 and £1.041m in 2017/18)**

An increasing number of clients are seeking alternatives to building based day care and opportunities to increase the availability of such provision will be pursued. This will lead to a reduction in existing building based provision.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The changes relate mainly to services provided to people with learning disabilities. Current council commissioned day care activities tend to be building based. If activities tailored to the individual are more frequently provided, this will have a positive impact on people with learning disabilities. However, there are possible negative impacts if this results in a reduction of building based provision and some clients still want to access that provision	

**4.8 Adults with Learning Disabilities and Physical Disabilities – Sunderland Care and Support (Saving - £1.000m in 2016/17)**

The unit costs of delivery for this client group are higher than for other client groups and those paid to some other providers locally and regionally. Opportunities to reduce the cost of this provision will be implemented.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: Currently looking at staffing structures and unit costs to meet reduction targets within SCSL. Figures and plans will be updated following outcome of workforce transformation project.	

#### 4.9 Review of Staff Requirement in Adult Social Care – (No Saving 2016/17 and £0.250m in 2017/18)

Review of staffing structures and requirements in the light of reductions undertaken.

##### 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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment:	

#### 4.10 Review of Grant Funding to VCS – (Saving - £0.200m in 2016/17)

All grant funding will be reviewed to ensure that those organisations receiving support are delivering a service which supports the achievement of agreed outcomes.

##### 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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment:	
Scoping of review to start in January 2016.	

**4.11 All client groups - Demand Pressure to be contained within base budget (Saving - £0.554m in 2016/17)**

Financial planning takes account of demand pressures in Adult Social Care. This is estimated to require a budget increase of up to an additional £3m per annum. By implementing the proposed reductions, an element of this financial pressure will be absorbed.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: Demand pressures will be managed through greater use of universal community support, provision of reablement support to maximise people's independence, support to carers and ensuring appropriate levels of support for any on-going care needs. The impacts of this way of working are reflected in other proposals. If demand increases in the future, alternatives will be considered and an Equality Analysis will be completed.	

**4.12 Culture and Activity – Development of a Cultural Offer for the City (Saving - £0.987m in 2016/17 and £2.598m in 2017/18)**

The cultural offer which includes museums, arts, heritage and libraries as well as other activities will be combined to deliver efficiencies but retain the most appropriate offer for the City which can be offered in partnership with other organisations.

Currently the Council provides financial support to a range of organisations and the basis for and value received from, these arrangements varies and needs review. The review will seek to minimise any future contribution and maximise value from the arrangements, whilst recognising any legal and contractual arrangements.

The Active Sunderland Strategy is in place, and will link to the Leisure JV arrangements and opportunities to build on this approach. The role within the LA will consist of an “intelligent commissioner” with a limited increase in commissioning and contract management arrangements in order to deliver this reduction. External Funding will be sought to ensure continuation of certain activities.

With regard to Sunderland Museums pending consideration of future service delivery options, it is proposed that additional activity to reduce costs is implemented, including a review of opening times and charging for more exhibitions. Any change to delivery model including partnership working will be brought forward as appropriate.

Review of the Library service to reflect actual costs incurred pending further future efficiencies as part of the cultural offer.

The Empire Theatre receives a financial contribution from the Council with the current agreement until 2029 and discussions are progressing with ATG to remove the subsidy and deliver additional benefits.

**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	✓ (16/17)
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	✓ (17/18)
The saving is from staffing changes and therefore equality implications will be considered as part of Workforce Planning arrangements	✓1
No Equality Analysis Required	
Additional Comment 1 – some of the savings will come from staffing changes 16/17 proposals are being met largely through removal of subsidies to a number of services. It is not anticipated that this will have a disproportionate impact on any particular group. 17/18 proposals may have a larger range of impacts but more work is needed to understand what these will be, Equality Analysis will be completed at the appropriate time.	

**4.13 Housing Related Support Review — (No Saving in 2016/17 and £2.539m in 2017/18)**

A review will commence in 2016/17 with the intention to cease contracts from July 2017 recognising that a change in emphasis onto prevention as well as improving integrated approaches to working with vulnerable service users will need to continue.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment As work is further developed the equality considerations for 17/18 will be considered.	

**4.14 Review of Specialist Advice Function — (Saving £0.225m in 2016/17 and £0.205m in 2017/18)**

The review will include a reduction in first tier provision by increased self-serve and supported self-serve, a review of management and staffing across the service and move to an alternative delivery model.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment	
Review has now been scoped and Equality Analysis is planned.	

**5 People (Children’s) Proposals for Reductions (Saving £2.703m 2016/17 and £3.180m 2017/18)**

**5.1 Children Remaining with Families (Saving - £1.000m in 2016/17 and £0.317m in 2017/18)**

As part of the 2015/16 budget proposals a number of proposals were agreed that delivered efficiencies over a longer period. These include the move to more integrated delivery of support from Early Help to statutory intervention services. These continue to be progressed where appropriate, although the timescale has been delayed to allow a focus on improving child protection services.

Delivery will be linked to the Early Help Strategy that describes a tiered response to meeting need and sets out guidance on thresholds for access to the tiers of support. The proposal will take advantage of opportunities linked to commissioning of health visitor services. The new offer will commence from September 2017 at the latest. One-off funding of £1m from Troubled Families Grant is to be used in 2016/17.

**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 equality implications will be considered as part of Workforce Planning arrangements	✓
No Equality Analysis Required	
Additional Comment: A new model will mean a more streamlined delivery with continuous and seamless transfer between services which will have a positive impact on service users. The service will retain a range of support from universal delivery through to specialist support and will therefore be equally accessible to all for universal provision. However some existing and future service users could be affected if, as expected, there is a reduction in the scale of the service and the service becomes more targeted to need (this may include some people becoming non-eligible for the service and/or experiencing longer waits to be seen.)	

**5.2 Looked After Strategy – Review and reduce the number of children in the care of the Local Authority (Saving - £1.427m in 2016/17 and £2.003m in 2017/18)**

Plans are in place to review, develop and implement a more localised offer to respond to both the increases in older children and the number of external placements. A root and branch review will be carried out of our needs, the existing options that exist with an emphasis on developing a more local offer that meets the diverse needs that are presented. The review will involve engaging with staff and children and also looking at best practice elsewhere.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: The review will develop and implement a more localised offer to respond to both the increases in older children and the number of external placements. If the number of looked after children can be reduced it is likely that those children will also have better outcomes. It is also positive if children who are looked after can be looked after more locally. Work will be done to analyse data in relation to looked after children and their families to further determine impacts.	

**5.3 Services for Disabled children – Review of delivery and staffing (Saving - £0.150m in 2016/17 and £0.300m in 2017/18)**

Review short break support including transferring Sea View Road to the management of SCAS and explore the benefits of collaboration with key partners. Redesign current service offer and explore alternative delivery model alongside possible options for the wider children's services social care.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: An existing example of transferring management of respite care to LATC has not demonstrated any negative impacts. More work is needed to analyse the impact of further proposals.	

**5.4 Youth Provision – Review of provision and commissioned contracts (No Saving in 2016/17, £0.560m in 2017/18)**

A full review of the Youth Offer commenced in 2015/16 seeking to take advantage of partnership opportunities and delivery by VCS and other organisations.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: Whilst the review will consider the fundamental questions of what outcomes we are seeking to achieve from youth delivery and determine the most appropriate way to achieve the outcomes, this particular efficiency impacts on existing delivery pending the review with reduced funding and required outcomes from current contracted delivery. There may be a risk to continued delivery by some organisations and a reduction in provision. Data will be analysed to better understand the detailed impacts.	

**5.5 Review of School Improvement Service – (Saving - £0.100m in 2016/17)**

Review the service in light of the greater autonomy of schools and to broker effective partnerships between schools to effect school improvement. Income will be maximised through provision of training courses provided to schools and academies.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	✓
Additional Comment: Schools will have the same responsibilities to comply with in relation to provision of training,. This proposal means schools will have to identify an alternative training provider.	

**5.6 Derwent Hill – Deliver Break-Even (Saving - £0.026m in 2016/17)**

Review of delivery model, costs and maximisation of income opportunities to deliver at least a break-even position.

**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 equality implications will be considered as part of Workforce Planning arrangements	
No Equality Analysis Required	
Additional Comment: Achieving a break even position through maximising income will not impact upon the accessibility of the service for children and young people	

## Equality and the Budget Proposals

### 1 Equality in Decision Making

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.

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 those proposals which are not sufficiently detailed to undertake a full Equality Analysis at the present time, an initial consideration of the impacts has been undertaken. In these cases further analysis will be carried out, when the proposals are further developed.

### 3 Consultation

- 3.1 The city-wide Equality Forums were invited to area based events, and then encouraged to complete the questionnaire. The Equality Forums cover a range of protected characteristics including disability, sexuality, faith and belief, race and age. Although we did have some respondents from these groups, unfortunately numbers are too small to break down the results by characteristic and draw any clear conclusions.

### 4 Key Messages

- 4.1 Individual proposals for additional savings are currently at different stages of equality analysis depending on the stage of the development of the proposal. The equality considerations can be summarised as follows:
- Equality Analysis, whether complete or at initial consideration, has identified or anticipated positive impacts.

- Equality Analysis, whether complete or at initial consideration, has identified or anticipated negative impacts. Where negative impacts are identified, it is the responsibility of the services to minimise these as far as possible. Some proposals have already identified possible ways to mitigate against potential impacts.
- No impacts have been identified or are anticipated.
- The proposal has potential employment impacts, or the saving will be partially made from staffing changes. Where there are impacts for the Council as an employer, equality considerations will be made as part of the Workforce Planning Project.
- No equality analysis is needed. This is generally where the proposal will have no impact on service users / employees or where the proposal is focused on income generation.

The summary of impacts by area, is outlined below.

	Other Proposals	Central	Place and Economy	People - Adults	People – Children’s
Positive impact identified or anticipated	0	0	1	0	1
Negative impact identified or anticipated Note 1	0	0	5	0	1
Neutral impact identified or anticipated	1	0	9	4	1
Both positive and negative impacts identified or anticipated Note 1	1	0	0	6	2
Employee implications	11	0	3	3	1
No Equality Analysis needed	5	5	12	3	1
	<b>18</b>	<b>5</b>	<b>30</b>	<b>16</b>	<b>7</b>

*Note 1: Where the current draft of the Equality Analysis does identify potential negative impacts, the services will be considering how these impacts can be mitigated as far as possible during the development of detailed proposals.*

*Note 2: The number of impacts is greater than the number of proposals due to more than one element within a proposal (e.g. a service review with staffing implications)*

#### 4.2 Other Proposals

There are a total of fourteen ‘Other’ proposals, five of which had more than one aspect to consider in relation to equality. Of the fourteen proposals, the largest impact is clearly on employees (eleven proposals). Employee equality implications will be assessed by ensuring fair and lawful HR processes are followed, that do not result in any discrimination on the grounds of any protected characteristics. If additional service based implications arise through re-design, equality analyses will be completed. One proposal identifies a neutral impact because the service (HR & OD) will be delivered through a new model. One proposal acknowledges that changes to funding and the way work is delivered may have both positive and negative impacts. Two proposals don’t need an equality analysis and a further three proposals have additional elements that are not judged as needing equality analysis.

### 4.3 Central Proposals

There are a total of five 'central' proposals. None of these need an equality analysis because there will be no change to service provision or the workforce.

### 4.4 Place and Economy Proposals

There are a total of twenty-three place and economy proposals with thirty judgements of equality impact. Three have staffing impacts, which will be addressed as outlined in 4.2 above. Twenty-one of the proposals either don't require equality analysis or have (or are expected to have) a neutral impact. Only one proposal has a positive impact because it is designed within the principles of the parking strategy which aims to increase road safety and accessibility. Five remaining proposals have (or are expected to have) negative impacts, Two of these have the potential to negatively impact on people who are less mobile or who use pushchairs (responsive local services and highway maintenance), two are expected to impact on males (removal of taxi marshals and review of business investment) and one could impact on children (school crossing patrols). In all instances, work is already underway to consider how impacts can be mitigated, or in the case of the school crossing patrols, individual assessments will ensure impacts are kept to a minimum.

### 4.5 People (Adults) Proposals

There are fourteen 'Adults' proposals with sixteen judgements. An equality analysis was not considered necessary for three of the proposals, and a neutral impact judgement was made for another four. For those where an impact was identified or anticipated, three related to workforce issues (and will be dealt with as outlined in 4.2) and six identified the potential for both positive and negative impacts. In some cases, this was because the impact would vary according to individual circumstances and preferences. In other cases more work is needed to understand what the impacts will be but it is likely, given the client group, that both negative and positive impacts will be identified, In all cases, either more work will be done to understand the impacts, or more work will be done on an individual level to mitigate against impacts.

### 4.6 People (Children) Proposals

There are six 'Children' proposals. One doesn't need an equality analysis and one has a neutral assessment. One proposal will see positive impacts on looked after children whilst one will see a negative impact on young people due to a reduction to current contracted youth delivery. Two proposals will potentially have both positive and negative impacts, in one case, more work is needed to understand what this might be, and in the other (children remaining with families) there is a recognition that the service may see a reduction in scale and the service could become more targeted to need (this may include some people becoming non-eligible for the service and/or experiencing longer waits to be seen). However, duplication will be removed to have a positive impact on families who have been dealing with multiple agencies in the past. This proposal also has additional staffing implications (and will be dealt with as outlined in 4.2).

## **5. CONCLUSIONS**

- 5.1 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 issues into decision making processes and the assessment of proposals.
- 5.2 Where analysis does highlight some equality implications, services and directorates will be responsible for assessing how these can be mitigated during the development of the detailed proposals. Where a proposal includes a review of services a full and/or updated version of equality analysis will be undertaken and presented to decision makers as proposals are shaped.

## Budget Consultation Results

### 1. Introduction

The budget consultation for 2016/2017 was undertaken within the context of further public spending reductions and the need for the Council to potentially achieve £110m of savings by 2020 with at least an additional £40 million of savings required for 2016/2017 at that time. The budget consultation process therefore had the following objectives:

- To improve people's knowledge and understanding of the £207m savings achieved since 2010 through the Council's improvement programme and of the future budget challenge facing the council
- To gain people's views on the acceptability of different approaches to providing Council services in the future
- To gain people's views on which priorities are most important to them in the light of the limited funding the Council will have left
- To explore views on what the Council is doing/planning to do, what else it can do to meet the budget challenge and areas for improvement.

### 2. Background

The annual budget consultation took place during November/December 2015, comprising of stakeholder consultations a survey and workshops.

Presentations on the financial context of the budget and the councils approach to meeting the challenge were made to a range of stakeholder groups in accordance with the approach to budget consultation agreed by Cabinet in October 2015, and feedback was noted.

The following stakeholder groups were also consulted:

- Trade Unions
- North East Chamber of Commerce
- Children's Trust Advisory Network
- Schools Forum, Governors and Head Teachers.

In addition, residents employees and workshop participants were invited to take part in a self-completion survey to ascertain their views on the issues set out in section 1 above. The survey was available in a paper and online format and promoted to the general public through a range of methods as follows:

- The Council's consultation web portal
- Advertising and availability of paper surveys in libraries; completed surveys could be returned via the libraries too
- Area events, with invites sent to existing networks including Equality Forums
- The Council website (the page was viewed 557 times)
- A front page article in the Sunderland Echo and coverage in the Journal, Chronicle website and Sun FM website
- The Leader of the Council's Facebook blog
- A number of tweets through Twitter.

The survey was also promoted to Council employees, through manager's briefings, Workwise Bitesize, the Hub and pop-ups.

To supplement the survey and maximise engagement in the budget consultation process, area based workshops were held using established area arrangements in the five areas of the city. The events were open to local residents, VCS and other stakeholders, and an additional workshop was held with the Children's Trust Advisory Network. There were three main objectives to the workshops:

- Increase the number of survey responses.
- Increase the number of registrations on the Council's consultation web portal (and therefore enable us to re-engage with the participants in the future).
- Raise awareness of the budget setting process.

### **3. The survey**

A total of 444 respondents completed. This was an increase on the number of respondents last year, suggesting the range of methods used reached a wider audience.

### **4. Workshops**

Area based workshops were held with residents and representatives from the VCS.

The workshops comprised:

- An overview on the financial context for the 2016/2017 budget and the outlook through to 2020, as well as the Council's approach to budget reductions over the last 5 years
- Topic discussions covering the proposed approaches to meeting the challenge were facilitated by Council officers on:
  - Services that maintain and improve where you live
  - Services provided for adults, children and families.

A total of 55 participants including representatives from the VCS, participated in the workshops. The topic discussions provided participants with an opportunity to speak directly with Heads of Service and express their views on current activity and proposals for securing future savings.

A further workshop took place with the Children's Trust Advisory Network (CTAN), in order to get insight into the views of the city's young people.

### **5. The findings**

Findings of the survey and discussions at the workshops are summarised below. In general the survey respondents provided feedback to each question that strongly identified the direction of travel they felt the Council should take. At the workshops there was an appreciation of the difficult financial situation the Council faces and the challenges ahead. Attendees also identified the need for continued community participation and partner engagement in making savings.

In the context of the significant and on-going budget challenge faced by the Council, the survey asked respondents to consider a range of services provided by the Council, specifically place based services that maintain and improve where residents live and also services provided for adults, children and families. Respondents were asked to choose alternative ways of providing and funding services from a range of multiple choice answers, as well as providing their own views. They were also asked to suggest ways in which residents themselves could help reduce demand on Council services as well as what the Council could do differently to support residents to help themselves.

## 5.1 Broad approach to Council service delivery

In order to get an understanding of how survey respondents feel generally about how the Council should approach future service delivery, they were asked to identify a preferred service delivery method from a range of options provided.

The acceptability of different options is shown in the table below.

Options	Total %
Deliver services for less cost	55.86%
Ask people to do more for themselves	24.55%
Increase the use of volunteers	8.78%
Find ways to cut quality and quantity of services	6.53%
No Response	4.28%

The table shows that over half of respondents most preferred option is for services to be 'delivered for less cost', with around half again feeling that 'asking people to do more for themselves' was a good idea. There was a significantly lower preference for the remaining options.

In relation to delivering services for less cost we have entered into the Leisure Joint Venture arrangements which ensure leisure facilities are in place but at little or no cost to the Council, as well as introducing a community library provision which has ensured access to library services are available at a reduced cost. Similar opportunities across other services are currently being considered.

Respondents were also asked to suggest their own ideas about how services could be provided in future. The most frequently occurring ideas put forward are:

- More efficient working procedures / not use consultants
- Reduce staff and / or salaries
- Reduce hospitality, expenses and allowances for Councillors
- Encourage residents / businesses to participate in the upkeep of their area and help neighbours
- Reduce the number of councillors.

## How are we responding?

While significant reductions have been delivered in support services and back office costs and staff numbers over the last few years, the savings proposals set out at Appendix C1 include further rationalisation and reconfiguration planned during 2016/2017 and 2017/2018 which will further reduce costs and staff numbers.

### 5.1.1 Services provided for adults, children and families

From a list of options survey respondents were asked to prioritise how these services could be provided in future. The acceptability of different options for these services is shown in the table below.

Options	Facilities and activities for children and young people	Support to vulnerable children and families	Support to vulnerable adults and older people
Further target preventative work to people who would most benefit	18.88%	23.23%	20.89%
Deliver more services locally	18.39%	16.71%	17.64%
Look to join up with other services (e.g. Health)	24.88%	28.42%	27.86%
Try to get others to deliver the help and services people need	17.33%	11.61%	13.37%
Make sure that those who deliver services on our behalf give more people more say over the support they receive	17.62%	17.37%	17.73%
No response	2.90%	2.66%	2.51%

The option of 'look to join up with other services' is clearly the most preferred option by respondents for all services. Both 'Support to vulnerable adults and older people' and 'Support to vulnerable children and families', have a clear second preference which is to 'Further target preventative work to people who would most benefit'. 'Try to get others to deliver the help and services people need' is the least preferred option from respondents for all services.

In the workshops, CTAN discussed charging for home to school transport services and ability to pay. The cost effectiveness of school transport was also referred to in the area workshops. At the area workshops, social care and services for older people and children were felt to be a priority, however it was highlighted that some people were provided with an intensive level of resource where this might be required. In relation to the new Community Integrated Teams, while these were considered to be working well from a provider perspective, we needed ensure this was also the case for service users.

In the context of the Council delivering services differently, such as the leisure partnership with Everyone Active and delivering library services through community venues, respondents were asked to choose their preferred method

of providing three types of service. The table below shows that opinion is, broadly, evenly split across the three suggested options. 'Look at ways to deliver the service in the community' was marginally the most preferred option from respondents for 'encouraging people to be active' and 'Libraries'. 'Increase the use of volunteers' was the most preferred appropriate option from respondents for 'Arts and Museums'.

Options	Identify a partner to deliver the service for less cost	Look at ways to deliver the service in the community	Increase the use of volunteers	No response
Encouraging people to be more active	31.55%	34.73%	29.67%	4.05%
Arts and Museum	31.47%	27.69%	37.52%	3.32%
Libraries	25.51%	37.10%	34.02%	3.37%

Respondents were also asked to provide their own ideas about how money could be saved in these service areas. The most frequently occurring ideas put forward are:

- Greater voluntary sector role/volunteering
- Encourage greater community and individual resilience/ responsibility/ involvement.

At their workshop CTAN highlighted the Council's bid to be the City of Culture and the need to ensure a cost efficient approach is taken.

#### How are we responding?

- In line with the preference expressed of joining up with other services, the Council has recently moved its Adult Social Care staff into localities working alongside other health professionals. Also, alongside its health and other partners, the Council is exploring closer integration and delivery of services for older people, people with physical disabilities and those with mental health and learning disabilities. This should lead to services being delivered by a single provider rather than different providers giving simpler access to services and meaning individuals come into contact with fewer different professionals. A national scheme is in place known as Vanguard which aims to accelerate models of integration at a local level. Sunderland is one of the national vanguard sites and this is supporting and promoting greater integration of service delivery. New arrangements should be in place during 2016 and the effectiveness of all arrangements will be reviewed, including from a service user perspective.
- Through consultation it was suggested that some individuals are receiving support which isn't required. The support for all individuals is currently being reviewed in line with the requirements of the Care Act. This full review will be completed early in 2016/17.
- Interest was expressed in school transport in a number of consultation forums. The Council has already made changes to the types of school transport which receive financial support. A further review is underway and should conclude during 2016/17. This will influence the cost and delivery of the remaining statutory transport provision.

- There is recognition that the services supporting vulnerable adults and children remain a priority and the Council is continuing to improve the targeting of services to those who need them most. Alongside this there is also recognition of the wider benefits offered by other services which may be described as “cultural” services including libraries, arts, museums and a more active community. Opportunities to influence the increased availability of these services are being considered and these take account of the views expressed in both working with partners to deliver the services at less cost to the Council and participants, and encouraging more community involvement in delivery.

### 5.1.2 Services that maintain and improve where you live

From a list of options survey respondents were asked to prioritise how a range of environmental services could be provided in future. The acceptability of different options for these services is shown in the tables below.

Options	Reduce Frequency or standard of service provided	Get someone else to deliver the service for less cost	Introduce/ Increase charges	Increase the use of volunteers	No response
Neighbourhood Services - e.g. litter picking, graffiti removal, bulb planting	15.87%	35.79%	10.68%	35.50%	2.16%
Grounds maintenance of parks, open spaces and sports pitches	16.33%	36.30%	11.52%	32.94%	2.91%
Car parking	19.53%	39.84%	33.33%	N/A	7.3%
Environmental protection services including environmental health, trading standards and pest control	14.97%	43.71%	32.73%	N/A	8.59%
Registrars and Cemetery and Crematoria Services	11.92%	36.97%	41.82%	N/A	9.29%
Refuse collection	48.02%	45.53%	N/A	N/A	6.45%
Blue bin recycling services	40.52%	50.86%	N/A	N/A	8.62%
Maintenance of roads, pavements and cycleways	21.10%	67.69%	N/A	N/A	11.21%
Street cleaning	26.51%	63.36%	N/A	N/A	10.13%
Street lighting	30.65%	58.91%	N/A	N/A	10.44%

The above table suggests respondents prefer that:

- Both neighbourhood and grounds maintenance services should be provided by either ‘increasing the use of volunteers’ or by ‘getting someone else to deliver the service for less cost’
- Both environmental protection services and car parking should be ‘delivered by someone else at less cost’, though a sizeable percentage of respondents felt that ‘introducing / increasing charges’ was a good option
- Registrars, Cemetery and Crematoria Services should ‘introduce / increase charges’, though this was closely followed by ‘getting someone else to deliver the service for less cost’

- Refuse collection should have a 'reduced frequency or standard of service', though this was closely followed by a preference for 'someone else to deliver the service for less cost'
- Blue bin recycling should be 'provided by someone else for less cost', though a sizeable percentage of respondents preferred a 'reduced frequency or standard of service'
- Maintenance of roads, pavements and cycle-ways, street cleaning, and street lighting, should be provided by 'someone else for less cost'.

Respondents were also asked to provide their own ideas about how these services could be provided in future. The most frequently occurring ideas put forward are:

- Cut wages, expenses, management, back office working, number of Councillors
- Reduce the frequency of the green bin collection
- Encourage residents to do more and give them more influence (including offenders / unemployed)
- Increase the size of the recycling bin and provide more recycling facilities.

There was little discussion about these issues at the workshops (feedback about bins is provided later), though discussions did highlight car parking in the city centre was becoming an issue with city centre workers and commuters parking in residential areas. It was suggested that Sunderland should have a Park and Ride scheme.

In a second question about environmental services survey respondents were asked about specific services they would prefer, from the list provided, to be reduced. Based on respondents first choices the table below shows a strong preference to 'reduce the number of flower beds', 'to ask people to do more themselves' and for 'the grass on open spaces and/or in parks to be cut less often'. There was a significantly lower preference for the remaining options.

Option	Total %
Reduce the number of flower beds	31.98%
Ask people to do more themselves	27.93%
Cut the grass on open spaces and/or in parks less often	24.32%
Reduce the number of formal parks and/or sports pitches provided	6.98%
Collect litter less often	2.48%
Take longer to clear up fly tipping	0.90%
No response	5.41%

Respondents were also asked to provide their own ideas about how these services could be provided in future. The most frequently occurring ideas put forward are:

- Enforcing (tougher) penalties for fly tipping and litter dropping
- Neighbourhood and community groups to provide a solution to cuts
- Using offenders groups to undertake community work i.e. litter picking, graffiti clearing

- Replacing flower beds with wild flowers to attract wildlife.

In a further question about environmental services, survey respondents were asked for their views about the frequency of (green bin) refuse collections in the context that weekly collections will no longer be affordable once the government grant ends in March 2017.

The acceptability of different options for refuse collection services is shown in the table below. This shows that from the options provided there is an overwhelming preference from respondents for refuse to be collected fortnightly. There were extremely low preferences from respondents for the options of collecting refuse every four weeks and collecting refuse every three weeks.

Options	Total %
Collect refuse fortnightly	80.63%
Collect refuse every four weeks	8.78%
Collect refuse every three weeks	5.86%
No response	4.73%

Respondents were also asked to provide their own ideas about how refuse collection could be provided in future. The most frequently occurring ideas put forward are:

- Educate and encourage recycling and composting
- Provide bigger bins
- More accessible refuse points (recycling and refuse).

There was a good deal of feedback from the area workshops and CTAN about bin collections. Both expressed concern about the potential for increased fly tipping (leading to increased costs) and both felt that consideration should be given to providing additional or bigger bins to larger families. In general it was felt that encouraging a culture shift through education would be a key driver to a successful move to fortnightly collections e.g. recycling tips and how best to pack the bins. At the area workshops it was suggested that up-cycling should be encouraged, as well as community pride and responsibility for neighbourhood cleanliness, including through school and youth groups (for example, there are currently 20 litter pick groups in Washington but they need support).

### **How are we responding?**

- The Council intends to set up Alternative Service Delivery Models (where services are commissioned by, but not directly delivered by the Council) for place management services. This reflects the strong preference for 'get someone else to deliver the service for less cost'. This is likely to take the form of an arms length Local Authority Trading Company in 2016, but with all options being evaluated thereafter.
- Charges for registration and bereavement services will be increased by 5% per annum, again in line with the broad preference expressed. The charges will remain comparable or better than most other Council's in the region.
- The reshaping of local environmental services in line with budget reductions will take account of the preference to reduce flower beds and maintain parks over reducing core cleansing and fly tip removals. More spaces will be changed from being formally maintained to those that support wildlife.
- We will place greater emphasis on supporting existing, and establishing new community groups to take more responsibility for maintaining local neighbourhoods and green spaces. The Council already accesses restorative justice to undertake some activities and greater use of this will be explored with the appropriate agencies.
- Reflecting the preference for increased car parking charges, these will be reviewed annually with average annual increases anticipated around 10p per hour. Opportunities to provide new car parks and on street parking where charges apply will be identified and charging for existing car parks which are currently free will be considered.
- Faced with the grant for weekly refuse collections ending in March 2017 and the strong preference expressed for fortnightly collections to deal with this, during 2016 we will plan and consult upon the introduction of an alternate weekly collection service (refuse one week, recycling the other). Specifically in respect of recycling we intend to complement the current scheme promoting recycling across the City by funding community groups in each Area to develop incentive schemes tailored to local communities to increase participation in recycling.

#### **5.1.3 How local people can help reduce Council costs?**

Survey respondents were posed a further two questions that examined what local people could do to help reduce Council costs.

Survey respondents were provided with some examples of how local people could help reduce demand for services which would then reduce council costs. They were then asked to suggest other ways in which their family or community could help to make a difference, with the most frequently occurring ideas put forward being:

- Reduce / Reuse / Recycle, with the Council providing more bins and enabling more community recycling

- Penalise those people that don't Reduce / Reuse / Recycle
- Look after local area (e.g. litter picking, bulb planting, grass cutting).

At the area workshops there were a number of discussions about using volunteers as a resource that could help reduce the impact of the cuts. It was felt that volunteers could be a viable alternative in some instances but that: they should not be used as a substitute for professional services; the Council should build on the existing volunteer movement in the city; a supporting infrastructure was needed and the cost of this needed to be clarified.

Survey respondents were asked for examples of what the council or others in the city could do differently to support individuals, families and local communities to help themselves. The most frequently occurring ideas put forward are:

- Provide better information
- Improve recycling / refuse / litter collection
- Support greater community resilience
- Promote volunteering opportunities
- Improve engagement and consultation
- Nothing.

#### **5.1.4 Council Tax and the Council Tax Support Scheme**

The survey posed three questions about Council Tax and the Council Tax Support Scheme.

In the context of Council Tax having not increased since 2010/2011 and services now under threat of being cut, respondents were asked whether an increase in Council Tax within the government referendum limit would be acceptable – 78.15% agreed, 18.47% disagreed while 3.38% did not respond.

The survey explained that the Council Tax support 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. 48.42% of respondents agreed that the scheme should continue, 30.18% disagreed, 20.05% neither agreed nor disagreed, while 1.35% did not respond. 61.6% of respondents making a positive response agreed with continuing with the current scheme with 38.4% disagreeing.

Respondents were asked in the event of them disagreeing with the Councils current scheme, whether the minimum payment required under the Council Tax Support Scheme should be raised to 10% or 12.5%. Overall 17.12% agreed with a 10% rise, 27.70% agreed with a 12.5% rise while 55.18% did not respond.

Respondents were also asked to provide their own ideas about a preferred scheme. The most frequently occurring ideas put forward are:

- Everyone should pay the same amount of Council Tax, other than those in genuine poverty and the disabled, elderly etc.
- Focus on tackling people that access the scheme fraudulently as well as tackling those that commit Council Tax benefit fraud and other benefit fraud
- Increase the minimum payment by at least 12.5%

- Cut Council costs first i.e. reduce the salaries of senior staff, reduce Councillor allowances and streamline services more effectively.

The Council's response to this feedback about the scheme was reported to Cabinet in January 2016, and it is proposed that the scheme remains unchanged.

**Notes of Budget Consultation meeting between representatives of the Council and the Chamber of Commerce held at Sunderland Civic Centre on Monday, 1<sup>st</sup> February 2016 at 10.30 am**

**Present:**

**Council Representatives**

Councillor Henry Trueman	-	Deputy Leader of the Council
Councillor Mel Speding	-	Cabinet Secretary
Sonia Tognarelli	-	Interim Head of Paid Service & Director of Finance
Neil Revely	-	Executive Director, People Directorate
Alison Fellows	-	Executive Director of Commercial Development
John Rawling	-	Deputy Director of HR and OD
Les Clark	-	Chief Operation Officer – Place

**Chamber of Commerce Representatives**

Kevin Clark	-	Sunderland Echo
Trevor Hines	-	Station Taxis
Ralph Saelezer	-	Liebherr Sunderland Works Ltd
Ernie Johnson	-	North East Vending Ltd
Peter Robertson	-	Sunderland College
David Allenson	-	Handelsbanken
Sandy Cowell	-	Sunderland Business Network
Ken Dunbar	-	Sunderland Business Improvement District
G Eskandan	-	C4
John Devitt	-	C4
Julian Carter	-	Sun FM
Joanna Taylor	-	Narrative
Esme Flounders	-	Narrative
Ian Porter	-	Gentoo
David Cogs	-	TTR Barnes
Jonathan Walker	-	NECC
Clare Langley	-	University of Sunderland
Ed Tutty	-	Assoc Fat Buddha
Brian Jackson	-	City Centre Traders Assoc
Tom Parkin	-	Seafront Trader Assoc
Paul McEldon	-	NE BIC
John Seager	-	Siglion

The Deputy Leader of the Council welcomed representatives from the North East Chamber of Commerce and thanked them for their attendance. The Leader invited Sonia Tognarelli, Interim Head of Paid Service & Director of Finance, to outline the current position with regard to the Council's revenue budget for 2016/17 and the Medium Term Financial Strategy to 2019/20.

The Interim Head of Paid Service & Director of Finance summarised the national funding outlook, following the autumn spending review.

- There was no overall change to the Governments current economic policy
- The budget reflected government growth, which equated to 2.4% per annum over the next 5 years. The Government planned to have a budget surplus of £10.1bn by 2019/2020.
- There were revisions to debt, as a proportion of the national income, reducing to 82.5% by 2015/2016 and 71.3% by 2020/2021, with reductions in every year of this Parliament.
- £12bn of welfare cuts will still be delivered as planned
- Reflected a welcome “real term” increase in NHS funding of £10bn, with £6bn of this in 2016/17
  
- The Police service and school funding would be protected in real terms;

The National Funding Outlook Settlement, 2016/2017 and indicative 4 year data published:

- Sunderland RSG would reduce by:
  - o Over 21% in 2016/2017 (£16m)
  - o Over 64% by 2020 (£45m)

Whilst the Government had made minor changes to reflect the fact that areas such as Sunderland were reliant on grants, the changes were not nearly enough to deal with the disproportionate impact of the cuts.

- Changes ignore the impact of the Business Rates Review
- Government assume 22% local income growth, nationally

The indicative figures ignored the impact of the Business Rates Review and the move to 100% rates retention currently being planned.

- Some Grants were still to be announced, including Public Health

Within the provisional settlement, there were a number of grants still to be announced, notably the Public Health grant, where significant reductions were anticipated from previously trailed reductions. This was together with the proposed changes to the allocation formula which would have a significant re-distributional impact.

- Funding for the National Living Wage

There was a significant, predicted, shortfall by 2020. Based on calculations, there was not enough to cover the cost with a shortfall of £7m over the next 4 years.

- Additional Social Care Council tax levy at 2% (on top of referendum limit increase)

This tax only equated to an additional £1.5m income per year while Adult social care demand pressures, would exceed this amount by £6m over the next 4 years.

In addition to 100% Rates retention, there was the rates revaluation process that would result in a new rating list from 2017/18 onwards, but the impact on the Councils Finances was uncertain at this stage.

The current total Council budget was £663m which provided services, including Adult and Children's social care, education, waste collection and disposal, maintaining roads, footpaths, parks, libraries and leisure services etc. However, £373m of the funding received from government must be used for specific purposes such as Schools and Housing Benefits. When this element was excluded, the total budget left which the Council had influence over was £290m. A further £115m needed to be saved by 2020 to either meet the Government funding cuts or be reinvested in order to meet the spending pressures, which left £175m to fund key responsibilities.

Of the £290m remaining budget which the Council had flexibility over, approximately £182m was currently utilised for Adult social care and Children and Families. By 2020 the Council expected to have less funding available for all Council services than currently spent supporting vulnerable adults, children and families.

The overall level of reductions required in 2016/2017 equated to £46.6m. However, the impact of the cuts had been significantly increased because of the need to absorb and provide for demand and unavoidable spending pressures. The Council was faced with increasing demand pressures in both Children's and Adult social care. The City had an increasingly ageing population due to longer life expectancy.

The Council were seeking to minimise impact on residents. In our community leadership role the Council were taking a city wide approach with partners, including those within health, education and the business sector, to enable a best response for the City. The key priorities were:

- People - 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

Following the government moving the focus to self-sustainability for Local Government there would be a need to increase the level of local income generated by growth by enabling the regeneration of the City, but this would take time and significant investment, together with the involvement of residents, partners, VCS and business to enable this to happen

The Interim Head of Paid Service & Director of Finance highlighted the Summary of Proposals and advised that this identified how the Council were tackling the savings requirement for 2016/17 and the progress being made for 2017/18.

The total reduction/use of balances (including the use of one off balances, for example collection fund surpluses and the council tax increase) equated to £46.6m in 2016/2017 and £22.57m in 2017/2018.

The Council would continue their scrutiny on asset usage, not only to reduce costs, but to free up land and property for sale, both to generate capital receipts and future development within the city.

Significant savings had been taken into account, primarily due to debt restructuring arrangements. In order to smooth the impact of reductions, the Council were also making use of £10.94m of reserves on a temporary basis.

Within Place and Economy services there would be a reduction in commissioning and service standards. This would be achieved through a risk based approach, focusing on service needs rather than wants and seeking to grow the capacity of the communities to help them to reduce demand. The Council had sought to minimise this through looking for cost reductions via an alternative service delivery model and by generation of additional income through growing the commercial customer base. The estimated savings for 2016/17 in this area were £6.32m

Within People Services, Adults the proposals equated to savings for 2016/17 in this area of £5.98m. However, once additional demand and other pressures were included into the budget, spend on Adult social care would increase in 2016/17.

Within Peoples Services, Children, it was important to note that the proposals were set within the context of the post inspection period and recognise on-going significant improvement activity and investment. Despite the savings Children's social care expenditure would increase in 2016/17.

The Interim Head of Paid Service & Director of Finance reported that, more than ever before, the financial climate required the Council's capital programme to be focused on the key priority projects that would generate the greatest benefit in terms of delivery.

The Council already had a capital programme of projects with a planned spend of £98m in 2016/17, increasing to £122m subject to Cabinet approval. They were also investing in strategic sites in order to prepare them for private investment and so create the conditions for economic growth. She advised that the Council's investment in the public realm was focused on providing the setting and the business environment that future investors would expect to see in a successful city.

The Council was also working with key partners to review physical assets on a city-wide basis regardless of ownership. The aim was to maximise the benefits of capital expenditure whatever the source and maximise opportunities through external funding and different ways of funding development

The Interim Head of Paid Service & Director of Finance invited questions and comments.

John Devitt acknowledged the budgetary pressures within the Council and questioned if there was there an identified budget to meet litigation costs. The Interim Head of Paid Service & Director of Finance advised that any litigation costs would not impact on the budgetary information presented today.

The question was posed of what reserve amount was currently held by the Council. The Interim Head of Paid Service & Director of Finance reported that the £184m in

overall reserves position at 1<sup>st</sup> April 2015 and that would significantly reduce by the end of the financial year and very significantly beyond that year on year given their specific purposes. All reserves are earmarked for specific purposes and include in addition to a general reserve, schools reserves, capital reserves to support projects committed in the capital programme. In addition, revenue reserves included those that were earmarked to support transformation plans and e for specific purposes such as to support the potential future cost of appeals re business rating revaluations, insurance claims and long term commitments in respect of projects such as that relating to streetlighting long term scheme that was funded under the Private Finance Initiative.

It was questioned whether the impact of cuts to funding was the same as that for other cities. The Interim Head of Paid Service & Director of Finance advised that the impact differed as result of a number of factors; some cities were similar, because of the lower Council Tax and Business Rates bases. She highlighted that Council Tax income, in Sunderland, covered only 12% of service costs, whereas in some areas up to 85% of costs could be met through council tax. For the social care levy for example a 2% increase equated to approximately £1.5m for Sunderland and would not cover the additional demand pressures for those services but in other areas the 2% levy could equate to many millions and significantly outstrip the actual costs of social care demands.

Neil Revely highlighted that Sunderland had approximately 8% of their population who were in a position to self-fund for their care, whereas in some authorities this equated to 70%.

Julian Carter questioned when the budget would be confirmed and when the impact to Council Tax charges would be implemented. The Interim Head of Paid Service & Director of Finance advised that the budget confirmation was expected within the next few days and the Council Tax changes would be implemented in the new financial year, March 2016.

It was questioned how successful the Council believed lobbying Government would be. The Interim Head of Paid Service & Director of Finance advised that some minor changes had been implemented following lobbying. For example there had been some changes to Better Care Fund and the New Homes Bonus distribution to reflect need but they did not fully address the cost pressures. She advised that lobbying would continue in relation to business retention agreements, as this will continue to highlight to Government the significant anomalies that would need to be addressed in any new funding mechanism.

As the responsibility of Business Rates was being transferred, it was questioned whether there was an expectation that this would affect rate relief for small business. The Interim Head of Paid Service & Director of Finance advised that this would be clearer when consultation documentation was released on the potential new system. She advised that if there was local discretion there would need to be careful consideration on possible impacts of any proposals and full consultation about any proposed changes which would relate to future years.

The Interim Head of Paid Service & Director of Finance advised that the City needed to look at how it could grow business within Sunderland and attract new businesses.

Alison Fellows acknowledged that self-funding opportunities were no longer available and the Council needed to consider joint funding opportunities. She stated that she believed it was important to recognise the reasons for the new homes and Vaux IAMP initiatives, which was to enable the City to grow their infrastructure.

It was noted that the Government had agreed a safety for Business Rates and the question was posed how long this would be in place. The Interim Head of Paid Service & Director of Finance advised that the business rates safety net was determined annually. For 2016/2017 losses in business rates income would have to exceed £17m safety net limit before 100% of the loss was reimbursed by government (with 50% of any loss below that being received from government prior to reaching that level).

She advised that the estimated impact of the revaluation review was as far as possible factored into the MTFS based on available information but clearly this will need to be updated on an ongoing basis as new information emerges.

It was questioned what business commitments should be focused on. The Interim Head of Paid Service & Director of Finance stated that the Council needed to do everything possible to attract developments. There was also a need to ensure the Council assets were maximised, together with any routes to external funding streams.

Alison Fellows advised that the Council were moving forward on work on the Local Plan and extended an open invitation for individuals at the consultation to attend.

Alison Fellows highlighted that the City needed to take advantage of the events being held, for example the Tall Ships and the commercial opportunities these events would bring.

Les Clarke advised that developing and expanding existing business was as important to the City as attracting new developments. He recommended that if any businesses had plans to extend they contacted the LEP.

Les Clarke explained that there were more practical aspects, for example what businesses could do in light of the reductions required in front line services. He acknowledged that there would be gaps in services and stated any opportunities to work with frontline companies, to fill these gaps, would be welcomed.

Councillor Trueman confirmed there were no further questions and thanked representatives for attending.

**Notes of Budget Consultation meeting between representatives of the Council and the Trade Unions held at Sunderland Civic Centre on Monday, 1<sup>st</sup> February 2016 at 9.00 am**

**Present:**

**Council Representatives**

Councillor Paul Watson	- Leader of the Council
Councillor Henry Trueman	- Deputy Leader of the Council
Councillor Mel Speding	- Cabinet Secretary
Sonia Tognarelli	- Interim Head of Paid Service & Director of Finance
Neil Revely	- Executive Director, People Directorate
Alison Fellows	- Executive Director of Commercial Development
John Rawling	- Deputy Director of HR and OD
Les Clark	- Chief Operation Officer – Place

**Trade Union Representatives**

Dave Riddle	-	GMB
George Pearson	-	Unison
Alyson Bryan	-	GMB
Chris Preston	-	GMB
Peter de Vere	-	Unison
Dawn Shearsmith	-	NAHT

The Leader of the Council welcomed representatives from the Trade Unions and thanked them for their attendance. The Leader invited Sonia Tognarelli, Interim Head of Paid Service & Director of Finance, to outline the current position with regard to the Council's revenue budget for 2016/17.

The Interim Head of Paid Service & Director of Finance advised that this was the second stage of the budget consultation, following the draft settlement and proposals which were taken to Cabinet on 13<sup>th</sup> January 2016. She advised that the comments from this meeting would be presented to Cabinet, on 10<sup>th</sup> February 2016.

The Interim Head of Paid Service & Director of Finance summarised the national funding outlook, following the autumn spending review.

- There was no overall change to the Governments current economic policy
- The budget reflected government growth, which equated to 2.4% per annum over the next 5 years. The Government planned to have a budget surplus of £10.1bn by 2019/2020.
- There were revisions to debt, as a proportion of the national income, reducing to 82.5% by 2015/2016 and 71.3% by 2020/2021, with reductions in every year of this Parliament.
- £12bn of welfare cuts will still be delivered as planned
- Reflected a welcome "real term" increase in NHS funding of £10bn, with £6bn of this in 2016/17

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The Council were seeking to minimise impact on residents. In our community leadership role the Council were taking a city wide approach with partners, including those within health, education and the business sector, to enable a best response for the City. The key priorities were:

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The Interim Head of Paid Service & Director of Finance reported that, more than ever before, the financial climate required the Council's capital programme to be focused on the key priority projects that would generate the greatest benefit in terms of delivery.

The Council already had a capital programme of projects with a planned spend of £98m in 2016/17, increasing to £122m subject to Cabinet approval. They were also investing in strategic sites in order to prepare them for private investment and so create the conditions for economic growth. She advised that the Council's investment in the public realm was focused on providing the setting and the business environment that future investors would expect to see in a successful city.

The Council was also working with key partners to review physical assets on a city-wide basis regardless of ownership. The aim was to maximise the benefits of capital expenditure whatever the source and maximise opportunities through external funding and different ways of funding development

The Interim Head of Paid Service & Director of Finance invited questions and comments.

Councillor P Watson advised that he believed it was important to state that concerns surrounding the austerity measures had been raised to Government and these concerns had been mirrored by commissioned services.

The Interim Head of Paid Service & Director of Finance advised that a key issue for Sunderland was the impact of the Business Rates Retention proposals to be consulted on in the spring. It was important the Government understood the individual impact on different regions particularly on Councils with low tax bases who relied on grant funding for vital services. Other factors also needed to be considered, for example Sunderland has a significant number of manufacturing businesses and potential for growth in those areas which is good for jobs and growth. However, the income derived from business rates is much lower than retail businesses and in some instances such as those in enterprise zones, earmarked to support infrastructure development and therefore not available to support services. These are important considerations in terms of the implementation of changes to the system, resource equalisation at both a national and at the regional level are essential in any new system.

Alyson Bryan questioned the anticipated effect of the living wage on the private sector. Neil Revely advised that this would significantly increase pressure. There were concerns because individuals employed within the care services warranted a fair wage but this put an additional burden on the LA. He advised that joint lobbying

of Government had been undertaken, with private sector employers, stating that there was a need to fund LA's appropriately. Government had said they will try Better Care Funding, which was not due to commence until the second part of Parliament and would try to give more to those LA's with greater need.

Neil Revely advised that there was concern because the only way the LA could deal with current issues was by continuing with those initiatives already started, for example reablement and integration with Health. He advised that there were some things which could be taken forward but these would require close working arrangements, to ensure good quality home care ie care and support, this would help mitigate some of issues but going forward would still be difficult.

Peter de Vere stated that some care providers were stating that they would not be able to meet the living wage increase and may need to close provisions. He questioned if the external impact had been considered. Neil Revely advised that he was aware that a number of companies had already ceased providing resources but ultimately care and support was the responsibility of the LA. He had advised that what had been undertaken was a greater use of care and support but the only way to make the savings expected was to reduce the number of hours allocated.

Neil Revely stated that within the residential sector there were some benefits, because a high proportion of local providers, because of their lack of debt (ie mortgages) had the ability to deal with the expected cost changes.

Neil Revely summarised that there were concerns as these areas would continue to be the Council's responsibility but assured attendees that regular meetings were held with the Leader of the Council, Councillor P Watson, during which the state of the market was discussed in depth to ensure support continued.

Councillor P Watson acknowledged that it was a difficult position. He explained the Government had moved to a 2% levy, from National to Local, and he believed volatile budgets were being transferred which could not be catered for, for example the Council Tax Relief. Councillor Watson acknowledged that more risk was being placed on local Government at the current time.

Neil Revely highlighted that there were new welfare reforms as well as the budgetary changes, for example housing benefit and explained the Government were proposing to reduce the percentage of housing benefits for supported living. He advised that he would welcome union support in relation to the welfare reform proposals.

Councillor P Watson advised that the Council needed to try to cope with the current austerity measures.

Alyson Bryan advised that she believed this would be the first year residents in Sunderland would be affected by measures.

Sonia Tognarelli advised that in summary there continued to be a disproportionate impact on areas such as Sunderland. Government stated that they were trying to address these in the settlement but the measures were not enough to have significant impact on improving the financial position.

Councillor Trueman acknowledged that the Council had £122m Capital but some of that was supported by one off grant funding.

## Medium Term Financial Strategy 2016/2017 – 2019/2020

### Report of the Director of Finance

#### 1 Purpose of the MTFS

1.1 The MTFS is a key part of the Council's Budget Policy framework which 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 through the development of the Community Leadership approach. The current MTFS sets out the strategic financial position and financial direction of the Council over the next four 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 four year period to align it with the current parliamentary term. 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.

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 2016/2017 Settlement, there is considerable uncertainty over the impact of the Business Rates Review, move to 100% rates retention and 2017 rates revaluation. The strategy will be kept under review and updated as further details emerge.

#### 2 National Funding Position

##### 2.1 Deficit Reduction Plan

2.1.1 The Government confirmed in the Spending Review 2015 statement (SR15) that Government economic policy remains unchanged. A budget surplus of £10.1bn is now expected in 2019/2020.

##### 2.2 Funding

2.2.1 The SR15 included key announcements affecting Local Government funding through to 2020 including a 'flat' cash settlement for councils by comparing 2019/2020 with 2015/2016 after taking into account grant funding and locally raised income.

*However the 'flat cash settlement by 2019/20 uses assumptions on the level of income growth that councils can generate locally through business rates and council tax, with an assumed average 21.9% increase over the period. This will be difficult for councils with low tax bases such as Sunderland to achieve.*

## Appendix H (continued)

2.2.2 The Settlement announcement includes a '4 year settlement' showing the provisional settlement for 2016/2017 and indicative funding levels for each year up to 2019/2020. The Settlement consultation document states:

'Government is making a commitment to provide central funding allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan.'

*It is not yet clear exactly what the Government mean by the 'offer', what the 'acceptance' entails, or what form / period of cover the efficiency plan which must be published has to take. Attached at Appendix Hi) is the Councils Efficiency Strategy for the period 2016/2017 to 2019/2020.*

2.2.3 While the Government have published indicative figures through to 2019/2020, figures beyond 2016/2017 take no account of the proposed Business Rates Review and the move to 100% Retained Business Rates. The indicative figures, and the Governments 'offer' therefore need to be treated with extreme caution at this stage until further details are known.

*The outcome of the proposals to change the way local government is funded with 100% retention of business rates, full cessation of RSG, and a transfer of new responsibilities (such as public health) which will need to be funded from retained business rates will be critical to the future sustainability for Council services.*

2.2.4 Based on the current Business Rates Retention mechanism the key funding elements to support the Council revenue budget under the Business Rates Retention mechanism are:

2.2.5 Core Spending Power

This measure introduced from 2016/2017 includes:

- Settlement Funding Assessment (SFA) comprising Revenue Support Grant (RSG), Retained Business Rates; and Top Up Grant;
- New Homes Bonus;
- Local Government share of the Better Care Fund (from 2017/2018);
- Council Tax Income (assuming cpi increases and that the 2% precept to support social care is taken up in full).

*For Sunderland, Core Spending Power will reduce by 2.79% over the period which is five times higher than the national average reduction of 0.5%. This reflects the inability for councils with low council tax bases to raise significant additional income from council tax.*

**2.2.6 Settlement Funding Assessment (SFA)**

At the outset of the Business Rates Retention mechanism Government allocated the total funding available to councils as their Start-up Funding Assessment using the following components:

- Relative Needs Assessment
- Relative Resources Assessment;
- Central Allocation - a fixed amount per head of population;
- Floor Damping
- Grants Previously Rolled in to Revenue Support Grant and new grants rolled in for 2015/16

This forms the baseline for apportionment of resources to councils for future years now known as the Settlement Funding Assessment, through to 2020 when the baseline is to be reviewed.

Until 2016/2017 all councils bore a share of reductions in total funding in direct proportion to their original Start-up Funding Assessment. Therefore those councils originally assessed with a higher needs / low relative resources assessment (such as Sunderland) bore a greater funding reduction than those with lower needs / higher relative resources.

For 2016/2017 settlement the government has amended the grant distribution methodology with the aim of applying equal percentage reductions in settlement core funding for each type of Authority. This aims to ensure councils delivering the same set of services receive the same percentage change to their Settlement Core funding

*Sunderland's Settlement Funding Assessment will reduce by 25% over the period compared to a national average reduction of 32%;*

**2.2.7 The Settlement Funding Assessment allocated to individual councils comprises:**

- Revenue Support Grant  
Government redistribute their 50% of retained business rates to Councils in the form of Revenue Support Grant.

*The amount of Revenue Support grant to be received by Sunderland is reducing by 21.35% in 2016/2017 and based on the indicative 4 year information will reduce by 64% (£45m) by 2020 compared to a national average reduction over the period of almost 79%.*

## Appendix H (continued)

- **Business rates**  
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.

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.

- **Top Up Grant / Tariff**  
A system of Top Up grant and Tariffs has been established to allow locally retained Business Rates to be redistributed from high business yield authorities to low yield authorities.

Sunderland is a Top Up council, receiving £36.2m in 2016/2017. Top Up grant is increased annually by RPI.

*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.*

- **Section 31 Grant - Cap on Business Rates RPI increase**  
The government placed a cap on the annual increase in Business Rates at 2% in both 2014/2015 and 2015/2016. They will reimburse councils for the consequential shortfall in income through a section 31 grant which is estimated at £507m for Sunderland for 2016/2017. At this stage there is no indication whether this approach is to continue in future years.

### 2.2.8 Other Core Grant and Revenue Funding

- Social Care authorities are to receive £1.5bn of additional Better Care Funding (BCF) by 2019/20 which the Government indicated is to 'enable Council's to continue to focus on core services and increase the prices they pay for care including covering the cost of the National Living Wage'. However allocations are to back loaded with limited additional funding in the first 2 years. For Sunderland the indicative data:

○ 2016/17	Nil
○ 2017/18	£1.802m
○ 2018/19	£6.742m
○ 2019/20	£5.802m
○ Total	£14.346m

## Appendix H (continued)

However these figures are subject to change as the method to distribute the improved BCF funding is to be consulted upon. The government has indicated that it will be targeted towards those authorities with lower council tax bases to ensure a fairer distribution of the grant in future.

Of additional concern, of the total £1.5bn additional funding, £0.8bn is a transfer from a review of the New Homes Bonus grant funding system and therefore cannot be considered additional funding to the total quantum available to the council.

- **New Homes Bonus**  
New Homes Bonus (NHB) will remain unchanged for 2016/17. Beyond this it is to be continued although it is to be reviewed in order to divert £0.8bn of funding to Better Care Fund authorities. It will also change from a six year cycle to 4 year cycle. The government is consulting on delivering a revised Scheme in the spring.

Government will also reduce its contribution to the NHB scheme by £40m pa, to £210m with the remaining funding to come from top slicing existing local authority funding.

Best estimates of the potential impact on New Homes Bonus funding has been factored into the mtfs and the position will be kept under review.

- **Public Health Grant**  
At the time of writing the report allocations for Public Health Grant are still to be announced for 2016/2017. However the government has indicated in the Spending Review that funding is to be cut by 3.9% in each of the next 5 years which for Sunderland equates to a cut of approximately £1m in each year on the current funding received. However, this takes no account of the proposed changes to the allocation formula which the Government recently consulted on. If implemented this will have significant re-distributional impact and result in significant resources moving away from high need authorities such as Sunderland to more affluent areas.

Provision for the potential impact has been factored into the MTFS from 2017/2018.

The government will also consult on options to fully fund local authorities' public health spending from their retained business rates receipts, as part of the move towards 100% business rate retention. This position will need to be kept under review.

- **Pooled Better Care Fund**  
Pooled Better Care Fund has been included in Health allocations for 2016/2017 at a broadly standstill position. For the purposes of medium term planning no changes are assumed to the level of available pooled Better Care funding as the funding is ringfenced for the purposes of Health and Social Care commitments.

- Education Support Services Grant  
A reduction in Education Support Services Grant to reflect the forecast transfer of maintained schools to academies has been reflected in the Medium Term Planning.

### 2.2.9 Council Tax

In the Provisional Settlement the Government announced a referendum threshold for 2016/2017 of 2%. In addition Social Care councils are able to levy an additional ringfenced social care precept at 2%.

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 2% social care levy in each of the next four years. Decisions on application of these options will be made as part of the detailed budget planning on an annual basis.

### 2.2.10 Business Rates

The forecast Business Rates for 2016/2017 was reported to Cabinet in January 2016. This report referred to the fact that the outcome of valuation appeals continues to be a difficult area to forecast, with a significant number of lodged appeals remaining outstanding with the Valuation office. 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.

2.2.11 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 £8.330m in 2016/2017 before the Government will provide 100% safety net funding. This means that business rates collected would have to fall by £17.00m before the threshold is triggered and the Council receives any safety net funding.

2.2.12 In addition to the Business Rates review referred to elsewhere, a review of the valuation list is scheduled to take effect from 2017. The impact of this review and how it is reflected through any baseline adjustment is not yet clear and potentially represents a significant risk to the council's financial position.

## 3.0 Summary Position

### 3.1 Government Funding

Taking into account the issues set out in section 2, the overall position for government grant income changes for Sunderland are set out below:

	2016/17	2017/18*	2018/19*	2019/20*	Total
	£m	£m	£m	£m	£m
Government Grant Changes	15.00	12.87	5.14	3.69	36.70

\* High Level Assumptions

## Appendix H (continued)

### 3.2 Spending Pressures and Commitments

A summary of the financial implications of spending pressures and commitments is set out below

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
<b>On-going Spending Pressures</b>					
Pay, Prices and Other Pressures (including Pensions Actuarial Review 2017/18)	8.47	9.05	6.78	7.05	31.35
Living Wage Contract Inflation	4.00	3.10	3.34	3.34	13.78
NI - End of contracted-out rate	2.46	-	-	-	2.46
Pensions Automatic Enrolment	-	1.00	-	-	1.00
People - Adults Demand Pressures	0.50	0.50	0.50	0.50	2.00
People - Children's Demand Pressures External Placements	6.38	4.00	-	-	10.38
Intelligence Hub	0.50	-	-	-	0.50
Living Wage and Workforce Transformation	2.50	1.50	-	-	4.00
Apprenticeship Levy		0.71			0.71
Capital Financing	1.00	2.00	2.00	2.00	7.00
Replacement of one off Use of Resoruces		5.35			5.35
<b>Total Estimated On-going Pressures</b>	<b>25.81</b>	<b>27.21</b>	<b>12.62</b>	<b>12.89</b>	<b>78.53</b>
Safeguarding Pressure (One-Off)	5.79				5.79
<b>Total Pressures</b>	<b>31.60</b>	<b>27.21</b>	<b>12.62</b>	<b>12.89</b>	<b>84.32</b>

In addition to the detail in relation to spending pressures included in section 6 of the main Cabinet report provision is included in respect of:

- the Apprenticeship Levy to be introduced from April 2017 for large employers (over 250 employees). The levy is anticipated to be 0.5% of gross pay incurred. For Sunderland, this equates to an additional pressure of £0.710m. Whilst money will be recycled into apprenticeship provision for all employers (not just those paying the levy), at this stage it is unclear to what extent or value the Council will benefit from these returned funds. Pending more clarity, the full value of the levy will be included in planning.
- Provision for the revenue implications of the Capital programme

### 3.3 Overall Local Position 2016/2016 to 2019/2020

The Local Government Finance settlement for 2016/2017 confirmed an on-going savings requirement of £46.6m for 2016/2017 when spending pressures are taken into account. Based on high level assumptions the on-going savings requirement for 2016/2017 to 2019/2020 is likely to be in the region of £115million. However, this position is likely to change given the Government review of Business rates and the move to 100% business rates retention.

As full data was not included within the 2016/2017 4 year indicative data best estimates have been made for 2017/2018 and beyond.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Government Grant Changes	15.00	12.87	5.14	3.69	36.70
Total On-going Spending Pressures	25.81	27.21	12.62	12.89	78.53
<b>Total On-going Funding Gap</b>	<b>40.81</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>115.23</b>
Safeguarding Pressure (One-Off)	5.79	0.00	0.00	0.00	5.79
<b>Total Funding Gap</b>	<b>46.60</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>121.02</b>

*\* high level assumptions at this stage*

### 4.0 Meeting the Funding Gap - Efficiency Strategy 2016/2017 to 2019/2020

4.1 As part of the Budget Planning Framework for 2016/2017, Cabinet agreed in October 2015 to meet the funding gap by progressing the existing savings programme and developing a further programme of activity taking into account the strategic vision of the council's role in the future and reflecting the Councils Community Leadership role and the Improvement Framework key principles. This involves further transforming service delivery, reducing service standards and commissioned activity and prioritising resources to support statutory requirements and key priorities:

- People - 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.

For all service areas this has included consideration of:

- Ensuring resources are targeted on statutory services and protecting key priority services;
- Redesigning and reshaping services to deliver required outcomes at least cost;
- Reduced commissioning and service standards;
- Pressing forward with new alternative models of service delivery (ASDMs) at reduced cost and increasing commercialisation;
- Continued focus on progressing Regeneration, Funding Leverage & Commercial Opportunities.

## Appendix H (continued)

- 4.2 Proposed reductions are summarised in the following table together with an indication of plans for future years. Further details are set out at Appendix C of the Cabinet report.

	2016/17 £m	2017/18 £m
<b>On-going Reductions Plans</b>		
Other Services (Appendix C.1)	4.93	2.57
Contingencies and Central Resources (Appendix C.2)	12.58	1.10
Place and Economy Services (Appendix C.3)	6.32	4.73
People Services - Adults (Appendix C.4)	5.98	7.84
People Services - Children's (Appendix C.5)	2.70	3.18
<b>Total On-going Savings Programme</b>	<b>32.51</b>	<b>19.42</b>
Use of One-Off Balances	8.94	0.00
Collection Fund Surplus - Council Tax	2.00	0.00
Council Tax Increase or Temporary Use of Balances	3.15	3.15
<b>Net position after Proposals</b>	<b>46.60</b>	<b>22.57</b>

- 4.3 Appendix H i) sets out the details of the Councils Efficiency Strategy for the period 2016/2017 through to 2019/2020 which sets out the approach to continuing work to develop a full suite of proposals to meet the remaining 2017/2018 funding gap of circa £20m as well as the further savings forecast to be required through to 2019/2020 through a review of all Council activities. The aim of the approach is to inform budget planning proposals over the medium term and enable Members to prioritise savings proposals as funding becomes clearer for each financial year.

Further updates on the Efficiency Strategy will be provided to Cabinet in due course and the Medium Term Financial Strategy 2016-2020 will be refined and updated as this work progresses.

## 5 Capital and Prudential Borrowing

- 5.1 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.
- 5.2 The four year Capital Programme for 2016/2017 to 2019/2020 was set to take account of the reductions in available external funding and the increased pressure on the Council's resources.
- 5.3 A number of proposed capital schemes are currently being considered to ensure that the Council continues to achieve and promote economic regeneration and other key priorities. The borrowing strategy sets out parameters to ensure VFM considerations are safeguarded.

## **6 Reserves and Balances**

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.

In establishing reserves, the Council must comply with the Code of Practice on Local Authority Accounting in the United Kingdom. The Director of Finance is required, as part of the budget setting process, to provide a statement on the adequacy of reserves.

## **7 Reserves Policy**

The Council's policy on reserves is as follows:

- The Council will maintain its general reserve at a minimum of £7m 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.

Other than General Reserve, all reserves are earmarked for specific purposes.

A general reserve of £7.6m is held to provide a level of contingency and meet any unforeseen expenditure and support the budget as planned as set out in Appendix I. A full analysis of reserves is included annually in the Statement of Accounts.

## **8 Budget Consultation and Equality Analysis**

8.1 The annual budget consultation commenced during October / November 2015 comprising a survey and workshop. In general, the findings demonstrate continuing support for the Council's overall approach to meeting the budget cuts and indicate broad agreement with plans for further transformation of services.

8.2 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.

## **9 Risk Assessment**

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 each year 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 Hii).

**10 Conclusion**

- 10.1 The Government has announced funding levels for 2016/2017, including indicative levels through to 2019/2020. The reductions outlined in the provisional settlement and four year indicative data, when combined with significant unfunded spending pressures imply the four year on-going savings requirement for 2016/2017 to 2019/2020 is likely to be in the region of £115m. This is in addition to the £207m savings already achieved in the period 2010/2011 to 2015/2016.
- 10.2 However, there remains significant uncertainty due to the proposed changes to the way Local Government is funded with 100% rates retention and the proposed cessation of RSG. 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.
- 10.3 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. It is clear that significant cuts are likely to continue resulting in fundamental change to the way the council operates.
- 10.4 In addition to reductions in revenue funding, Government and regional support for capital investment will also be more restricted over the life of the MTFS. 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.
- 10.5 It is clear that it is no longer possible for the Council to continue to protect frontline services from the impact of the government cuts. In seeking to minimise the impact on residents and the city, the Council, through its Community Leadership role 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 Council's 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.
- 10.6 In the short term, all funding options, including budget savings and council tax levels, will be considered to allow a balanced and sustainable budget to be considered by Council on 2 March 2016.

## Efficiency Strategy 2016/2017 to 2019/2020

The following strategy sets out the proposed overarching Council approach to meeting the reductions challenge arising from the SR15.

### 1 Purpose

- 1.1 The Efficiency Strategy 2016/2017 to 2019/2020 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 Community Leadership approach and arrangements for medium term financial planning.

### 3 Context - The Community Leadership Council

- 3.1 This strategy integrates the principles of the Community Leadership Council approach whereby the Council is committed 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 Hi) 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, using intelligence and evidence to focus 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 MTFFS set out at Appendix H shows savings requirements through to 2020 as follows:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Government Grant Changes	15.00	12.87	5.14	3.69	36.70
Total On-going Spending Pressures	25.81	27.21	12.62	12.89	78.53
<b>Total On-going Funding Gap</b>	<b>40.81</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>115.23</b>
Safeguarding Pressure (One-Off)	5.79	0.00	0.00	0.00	5.79
<b>Total Funding Gap</b>	<b>46.60</b>	<b>40.08</b>	<b>17.76</b>	<b>16.58</b>	<b>121.02</b>

On-going savings of £115m are estimated to be required over the four years to 2019/2020. This is in addition to the £207m savings already achieved in the period 2010/2011 to 2015/2016.

- 4.2 The Revenue Budget and Proposed Council Tax for 2016/2017 report sets out proposals to meet the funding Gap for 2016/2017 and an indication of existing plans for future years. Section 5 below sets out the approach to develop a full suite of proposals to meet the 2017/2018 remaining funding gap as well as the further savings forecast to be required through to 2019/2020.

### 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 radically reconsider the role of the council as fundamental 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 will involve further transformation of service delivery, reducing service standards and commissioned activity and prioritising resources to support statutory requirements and key priorities:

## Appendix Hi) continued

- People - 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 innovative approaches to address priority needs through:

- development of improved customer and service insight and intelligence to provide the Council and partners with information necessary to understand and prioritise what it needs to do and ensure it is doing the right things;
- implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way. The Customer Service Network continues to be the focus as the gateway for demand and supply for services, encouraging and supporting self-help where appropriate;
- developing alternative models for service delivery and increasing commercialisation to ensure the most effective and efficient models of service provision.
- further and continual review of Strategic Services and fixed assets to meet the future needs of the Council and its communities;
- intelligent strategic commissioning, using improved intelligence and strong performance management to ensure the council commissions services in the most cost effective way.

### 5.4 Programme of activity

#### 5.4.1 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 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. There will be a focus on commissioning, shifting from the council directly delivering services, to a role of shaping, facilitating and enabling services. This will draw on the work of the Intelligence Hub to ensure a sound evidence base for desired outcomes from commissioned activity.
- Reduced commissioning and service standards to enable key priorities to be met with appropriate services commissioned at lower cost.
- Pressing forward with new models of service delivery at reduced cost and increasing commercialisation. The Council has already successfully achieved this with Sunderland Care and Support Ltd, and the Leisure Joint Venture. Future plans include consideration of a new trading company to deliver 'place' services, alternative ICT arrangement and new arrangements for Children's Services.

- Ensuring opportunities for collaboration with partners to deliver key outcomes that matter to the city.
- A reduction in Strategic and support services which will be proportionately reduced as the Council reduces in size and headcount. Appropriate but reduced levels of strategic and support service capability will transfer with alternative delivery models as these are developed.
- Continued focus on progressing Regeneration, Funding Leverage and Commercial Opportunities.

## 5.5 Income maximisation

In addition to pursuing service related activity strategies as set out at paragraph 4.4, focus will also be made on maximising income levels:

### 5.5.1 Retained Business Rates

Under the 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 2016/2017 to be retained by the Council is forecast to be £44.631m.

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 Councils 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 100% retained business rates by 2020.

### 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 in the longer term 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 Local Government settlement for 2016/2017 and indicative data through to 2019/20 includes assumptions that councils will raise council tax annually in line with the level allowed without a local referendum (currently 4% including 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. An independent review undertaken in October 2013 concluded that the council is in the top quartile in terms of income recovered against expenditure in most areas when compared to other councils nationally. This indicates that there is limited scope for generating additional income from fees and charges.

The review exercise did identify some limited opportunities for future growth, which have been factored into the MTFS process.

Opportunities for new charges continue to be actively pursued by Directors as part of the improvement planning process.

### 5.6 Commercial activities - Trading Operations

- Port  
Over the last 12 months, the regional market for the provision of general port services and infrastructure has become increasingly competitive; this is linked to events such as the closure of the SSI steel works in Redcar and also low oil price levels leading to the suspension of infrastructure works in the North Sea basin. This over capacity of service provision is impacting on operating margins as competition grows for remaining commercial opportunities. The Port has undertaken a mid-term review and update of its Business Plan, in recognition of the challenging market conditions.

Notwithstanding the above, the Port has managed to grow turnover, improve its ratio of contracted trade to spot trade and increase profit levels over recent years. This has been supported by continued capital investment in plant and infrastructure, allowing the Port to support new areas of trade and react to these in a timely manner.

In addition the strategic rationalisation of the Port estate has continued, although this has produced short term revenue pressures, it will improve the Port's ability to positively react to large scale investment enquires as they arise.

- **Local Authority Trading Companies**  
The Council established two Local Authority trading companies in 2013 as part of its transformational approach to service delivery.
  - A) Sunderland Care and Support Ltd is in its third year of operation in 2016/17 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. The company is in the process of updating its Business Plan with the aim of delivering significant costs savings in order to support the Council in delivering the reductions required.
  - B) Sunderland Live Ltd is continuing into its fourth year of operation in 2016/17 and is focussed on delivering further growth in income whilst also managing costs in order to further reduce the management fee to support the Councils savings plans

## 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 refreshed Economic Master Plan ("EMP") and underlying detailed strategies on regeneration (including Housing and Transport) and Culture. It is focused on key priorities of creating the conditions for economic regeneration through investing in strategic regeneration sites, enhancing infrastructure and public realm and improving transport connectivity. A key priority with the Capital programme 2015/16 to 2019 /20 is to continue to support plans for the regeneration of the City Centre, River Corridor and Enterprise Zone 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.

5.7.3 The Capital programme will be kept under review in light of delivery of savings plans proposals 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

Despite further reductions in public expenditure the council continues to maximise external funding opportunities to support its economic development, education and skills, and health and well-being priorities.

In recent years, the council has been particularly successful in securing significant levels of external funding for example in relation to Advanced Manufacturing Park and construction of the New Wear Crossing.

The development of the North East Local Enterprise Partnership's (NELEP) Strategic Economic Plan in 2014 and the European Structural and Investment Fund (ESIF) strategy in 2015 signify two major external funding opportunities for the NELEP area, from 2015/16 to 2021/22. The allocation to the NELEP area under the ESIF programme is c. £380m, with the programme launching its first call for projects in early 2015. A number of Sunderland based proposals from applicants are currently being assessed.

The NELEP's Strategic Economic Plan, which will be reviewed in 2016, sets the strategic economic framework for both the ESIF programme and the Local Growth Fund (LGF). Following the Spending Review and Autumn Statement on 25 November 2015, a second round of LGF bidding and negotiation will take place in the first half of 2016. This will offer further opportunities for the council and partners to pursue their economic regeneration priorities, including to support the International Advanced Manufacturing Park.

Over the medium term, there will be further opportunities to secure external funds from a variety of sources including Government departments and Lottery funding distributors on a competitive basis, as well as resources provided to the North East Combined Authority through any devolution agreement. Other sources of European transnational funding will also be explored, working with local partners where appropriate, in order to maximise external funds for the council and its partners.

### 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
- Trading opportunities
- Alternatives to revenue funding

This will be used as a checklist for the council and services 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, a local authority trading company, 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. 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 Councils 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 planning (including health sector partners, the University, and Gentoo);
- the council is progressing work with Health partners as part of the Better Care Fund arrangements to enable greater integration of service delivery through the Community Integrated Team approach which is improving 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 Devolution

All opportunities to maximise the potential benefits of the Region's devolution agenda and delivery mechanisms will be explored to ensure that these benefit people and businesses in the City;

#### 5.12 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.

#### 5.13 General on-going actions

The following actions are embedded within the Budget management responsibilities of accountable officer to ensure savings are maximised at all stages:

- Continuous review of costs and planned spend to minimise non-essential spend and maximise 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 On occasion proposals for savings may require some initial up-front investment to enable savings to be delivered. 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.

**6.2 Use of Capital Receipts Flexibility to support transformational costs**

6.2.1 As part of the Provisional Settlement, the Government have introduced new flexibilities allowing capital receipts generated in the years 2016/2017, 2017/2018 and 2018/2019 to be used to fund transformational costs incurred in those years.

6.2.2 One off transformational costs will arise through the Workforce Planning project arrangements in order to assist in delivering the on-going reduction proposals for 2016/2017 and 2017/2018. This includes workforce planning costs which will arise in Sunderland Care and Support Limited as the Local Authority Controlled Company transforms service delivery in order to assist in delivering the councils savings requirements. These costs are to be reimbursed by the council to the company on an invest-to-save basis.

6.2.3 Earmarked reserves are available to meet the estimated costs arising in 2015/2016 in support of the 2016/17 savings plans and previous years savings plans.

6.2.4 Paragraph 9.3 of the Revenue Budget and Proposed Council Tax for 2016/2017 report sets out proposals to utilise the capital receipts flexibility to fund transformational costs incurred in 2016/2017 to support the achievement of the 2016/2017 and 2017/2018 savings plans.

6.2.5 At this stage, it is estimated that the Workforce Planning project will incur £15.5m of transformational costs associated with reducing the workforce to deliver £24.14m of planned savings relating to 2016/2017 and 2017/2018. This represents a payback period of 0.6 years.

6.2.6 Currently the phasing of these costs is such that £6.7m is likely to fall in 2015/2016 financial year, prior to the period when the use of capital receipts is allowable. As such, at this stage it is planned to use previously earmarked provision within the Strategic Investment Reserve, and underspend on the overall revenue budget position at outturn 2015/2016 to meet these costs.

6.2.7 The balance of £8.8m, at this stage is anticipated to be met from capital receipts generated in 2016/2017. The impact on prudential indicators has been reflected in the Capital Programme 2016/2017 and Treasury Management Policy and Strategy 2016/2017.

- 6.2.8 The position will be updated and reported upon during the year as clarity around the costs incurred and their phasing is achieved, in addition to certainty around the level and timing of capital receipts realised.
- 6.2.9 The Capital programme will also be kept under review in light of delivery of savings plans proposals and associated transformational costs arising. The programme may need to be revised as appropriate to enable utilisation of capital receipts flexibilities or realignment of earmarked capital reserves to meet transformational costs.
- 6.2.10 Final arrangements on funding transformational costs arising in 2016/2017 will be considered as part of the outturn position 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 against 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
- Monthly monitoring of delivery of savings at Directorate level is embedded as part of the routine budget monitoring processes with exception reporting to Directorate Senior management teams and Portfolio Holders
- Delivery Board oversee progress on implementation and delivery with regular reporting to EMT
- Monitoring arrangements to be incorporated into revised corporate performance management arrangements
- Reporting to Cabinet on progress on delivery of annual savings on a quarterly basis.

## MTFS 2016/2017 to 2019/2020 Risk Assessment

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
1. Future available resources less than notified. Beyond 2016/17 while indicative data has been released this is subject to impact of Government review of Business Rates and impact of Business Rates Revaluation. This is likely to be key impact on the level of funding available in future	Likely	High	Settlement confirms funding for 2016/17. Assumptions beyond 2016/17 are based on indicative data released by Government as part of the 2016/2017 settlement adjusted for best local knowledge and information available and 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	Current government in place until May 2020. 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	Pay award affecting 2016/2017 - government have indicated continued limitation to public sector pay increases. Central contingency budget for pay and price increases set on the basis of the best available evidence.
4. Future spending plans underestimated.	Possible	Medium	Service planning process identifies future budget pressures.
5. Anticipated savings/efficiencies 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 £7.5m. Availability of Transitional Funding

<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 to identify forecast shortfall and remedial action will be taken. Provision exists to meet any shortfall in business rate income above the safety net threshold.
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 and reporting in line with corporate 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 2016/17 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:

- the Government has indicated that public sector pay restraint will continued until at least 2019;
- CPI fell to 0.2% and RPI to 1.2% in December 2015. Both are anticipated to remain low for some time;
- 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, changes in NI contracted out rates and LOCAL Government pension Scheme auto enrolment;
- 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 significant 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 very unlikely to arise due to:

- a prudent provision has been made to enable potential borrowing under the prudential framework with some limited headroom for unplanned borrowing;
- the market consensus regarding the economic outlook for the year 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 has been adjusted and a prudent rate of return has been included in the budget, 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 being included in respect of each category of contingency provision and specific contingencies have been created for all known spending pressures in 2016/2017;
- the total contingency provision is deemed sufficient 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;

- monthly budget monitoring is in place in all Directorates;
- exception reporting to the Leader, Portfolio-holders and Executive Management Team, with corrective action agreed or set in train;
- 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 / over spending to be used / met 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;
- exception reporting to the Leader, Portfolio-holders and Executive Management Team, with corrective action agreed or set in train;
- weekly monitoring updates provided to Delivery Board by Directorates
- contingencies / transitional funds exist to safeguard against the non - realisation or temporary delay of some of the budget reductions.

### **Income from Business Rates and Council Tax**

*Risk is that forecast levels of income from Business Rates and Council Tax are not achieved*

This is unlikely to occur due to:

- a prudent approach taken in setting the forecast income levels;
- the establishment of enhanced monitoring processes to identify any shortfall and remedial action will be taken;
- provision exists to meet any shortfall in business rates income above the safety net threshold.

### **Availability of Other Funds**

*Risk is that the Council could not call on any other funds to meet unforeseen liabilities.*

This is unlikely as the Council has a range of other funds which whilst earmarked are not wholly committed in 2016/2017.

## Major Earmarked Reserves - Position Statement

<b>Title and Purpose of Earmarked Reserve</b>	<b>Opening Balance 1/4/2015 £'000</b>	<b>Movement during 2015/2016 £'000</b>	<b>Closing Balance 31/3/2016 £'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	46,101	(22,546)	23,555
<b>Schools Delegated Budget Surpluses</b> These are the financial reserves held by schools under School Finance Regulations.	9,660	(1,912)	7,748
<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	4,658	(85)	4,573
<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.	5,656	(322)	5,334
<b>Unutilised RCCO Reserve</b> This reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.	1,789	(1,426)	363
<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.	6,235	(542)	5,693
<b>HCA Transfer Reserve</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.	15,967	(1,287)	14,680
<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.	2,538	(15)	2,523
<b>Business Rates Safety Net 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.	9,438	0	9,438
<b>Safeguarding Pressure</b> A reserve established to address the on-going pressures in relation to increased demand in Children Looked After.	4,000	(4,000)	0
<b>Safeguarding Improvement Action Plan</b> A reserve was established to fund the implementation of the safeguarding improvement action plan.	3,400	(3,400)	0
<b>School Redundancy Reserve</b> The reserve was established to meet future redundancy costs which may arise in Local Authority maintained schools.	3,136	(350)	2,786

## Reserves to be released to support 2016/2017 Budget

Reserve Title	Original Reserve Purpose	£'m	Utilisation		
			One off Safeguarding pressures 2016/2017 £'m	Supporting Overall Budget Position 2016/2017 £'m	Supporting one-off Transformational costs 2016/2017 £'m
Strategic Investment reserve	Reserve held to meet future costs of external placements in	11.557	5.590		5.967
Business Rates Safety Net	To address increased risk and Uncertainty within the Business Rates Retention Scheme	3.350		3.350	
Collection Fund Surplus	Historic Surplus generated on the Council Tax collection fund account	2.000		2.000	
<b>Reserves to be released to support 2016/2017 Budget</b>		<b>16.907</b>	<b>5.590</b>	<b>5.350</b>	<b>5.967</b>

# REVENUE BUDGET 2016/2017

**SUNDERLAND CITY COUNCIL**

**REVENUE ESTIMATES 2016/2017  
GENERAL SUMMARY**

<b>Revised Estimate 2015/16</b>		<b>Estimate 2016/17</b>
<b>£</b>		<b>£</b>
7,793,753	Leader	7,426,786
5,527,508	Deputy Leader	5,492,915
6,680,736	Cabinet Secretary	6,177,814
65,688,728	Children's Services	69,447,377
69,136,049	Health, Housing and Adult Services	75,765,990
11,815,133	Public Health, Wellness and Culture	9,273,198
43,464,520	City Services	39,978,666
4,946,747	Responsive Services and Customer Care	4,706,973
6,157,638	Provision for Contingencies	5,121,000
	Capital Financing Costs	
570,000	- Revenue Contributions to Capital Programme	570,000
26,796,000	- Debt Charges	19,740,000
(300,000)	- Interest on balances	(300,000)
(1,000,000)	- Interest on Airport long term loan notes	(1,000,000)
	Transfer to/(from)Reserves	
(3,212,000)	- Use of One off Resources	(5,590,000)
1,426,047	- Safety Net Reserve	1,426,047
0	- Use of Safety Net Reserve	(3,350,000)
(5,600,000)	- Reserves released to support budget	0
(20,723,945)	Technical Adjustments: IAS19 and Reversal of Capital Charges	(20,793,035)
<u>219,166,914</u>		<u>214,093,731</u>
	<b>LEVIES</b>	
16,660,344	North East Combined Authority Transport Levy	16,117,638
209,788	Environment Agency	214,855
63,357	North East Inshore Fisheries Conservation Authority	63,357
<u>16,933,489</u>		<u>16,395,850</u>
	<b>Less Grants</b>	
(2,829,196)	Section 31 Grants – Business Rates	(2,359,204)
(989,259)	Council Tax Freeze Grant 2015/2016	0
(3,171,447)	New Homes Bonus	(4,367,055)
(251,533)	New Homes Bonus Redistributed Amount	(179,892)
(24,851)	Lead Local Flood Authorities	0
(13,781)	Inshore Fisheries Conservation Authority	(13,781)
<u>228,820,336</u>	<b>TOTAL NET EXPENDITURE</b>	<u>223,569,649</u>
0	Less: (Use of)/Addition to Balances	0
<u>228,820,336</u>	<b>LOCAL BUDGET REQUIREMENT</b>	<u>223,569,649</u>
55,121	Hetton Town Council	58,882
<u>228,875,457</u>	<b>TOTAL BUDGET REQUIREMENT</b>	<u>223,628,531</u>
	<b>Deduct Grants etc.</b>	
69,895,129	Revenue Support Grant	57,230,480
44,216,054	National Non Domestic Rates/Retained Business Rates	44,288,349
35,947,638	Top up Grant	36,247,201
500,000	Collection Fund Surplus - Council Tax	2,500,000
<u>150,558,821</u>		<u>140,266,030</u>
<u>78,316,636</u>	<b>LOCAL COUNCIL TAX REQUIREMENT INCLUDING PARISH PRECEPT</b>	<u>83,362,501</u>
<u>78,273,360</u>	<b>LOCAL COUNCIL TAX REQUIREMENT EXCLUDING PARISH PRECEPT</b>	<u>83,315,464</u>

**SUNDERLAND CITY COUNCIL**

**CONTINGENCIES 2016/2017**

	<b>£m</b>
Pay and Cost Pressures	3.406
General Contingency	0.500
Economic Downturn	1.045
Inward Investment	0.300
Winter Maintenance	0.300
Port Dredging	0.220
General Review of Management Arrangements	(0.650)
<b>Total Contingency</b>	<b>5.121</b>

**STATEMENT OF GENERAL BALANCES**

	<b>£m</b>
<b>Balances as at 31st March 2015</b>	<b>7.570</b>
<b>Use / Addition to Balances 2015/2016</b>	<b>0</b>
<b>Use of Balances 2015/2016</b>	
- Contribution to Revenue Budget	(8.812)
<b>Addition to Balances 2015/2016</b>	
- Transfer from Strategic investment reserve to support the budget over the medium term	3.212
- Reserves Released to Support the Revenue Budget	5.600
<b>Estimated Balances 31st March 2016</b>	<b>7.570</b>
<b>Use of Balances 2016/2017</b>	
- Contribution to Revenue Budget	(8.940)
<b>Addition to Balances 2016/2017</b>	
- Transfer from Strategic Investment reserve to support the budget over the medium term	5.590
- Transfer from Safety Net Reserve to support the budget over the medium term	3.350
<b>Estimated Balances 31<sup>st</sup> March 2017</b>	<b>7.570</b>

## REVENUE BUDGET 2016/2017 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 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 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HoCLP	0	Community Leadership Programme	0
2	DoCA&C	0	Corporate Affairs and Communications	0
3	ACE	0	Corporate and Strategic Management	0
4	ACE	657,508	Local Enterprise Partnership	714,465
5	ACE	0	Local Strategic Partnership	0
6	HoS&P	404,430	Strategy, Policy and Performance Management	281,564
7	HTCT	0	Transformational Change Team	0
		<b>1,061,938</b>	<b>Total Office of the Chief Executive</b>	<b>996,029</b>
<b>Commercial Development</b>				
8	EDoCD	0	Commercial Development	0
9	HoLG	3,983,210	Democratic Core	3,942,949
		<b>3,983,210</b>	<b>Total Commercial Development</b>	<b>3,942,949</b>
<b>Enterprise Development</b>				
10	HoBI	2,748,605	Business and Investment	2,487,808
		<b>2,748,605</b>	<b>Total Enterprise Development</b>	<b>2,487,808</b>
		<b>7,793,753</b>	<b>TOTAL BUDGET</b>	<b>7,426,786</b>

## REVENUE BUDGET 2016/2017 LEADER

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The Portfolio continues to review services in order to deliver savings and also to provide services in the most effective way possible. In addition to the corporate and cross cutting budget reductions that the portfolio is leading on, in 2016/2017 savings of £1.565m are anticipated with plans being implemented in the following areas:

#### Strategic Support Services

Significant savings continue to be delivered through reductions in back-office support. Savings for these services at individual budget lines are masked by the impact of recharging the net costs to their client service areas.

- Recognising that the council will need a different sort of Corporate Affairs and Communications service to reflect its smaller size and its changed role of being more of a facilitating and enabling commissioner of services, the service will be reorganised to deliver a differently engineered service. Posts and responsibilities will also be devolved to other directorates in readiness and in support of moving to alternative delivery models.
- Policy and Partnership will become a small multi-functional team working collaboratively with partners and sourcing external expertise if needed.
- Transformational Change will focus on supporting 2020 future council requirements, focusing resource on high value / high risk priorities and, therefore, no longer supporting low value / low risk activity.

#### Economic Development

The external grants programme will see a phased reduction through to 2018/2019 that will allow existing commitments to be maintained as far as possible. Growth in income targets recognises continuing the excellent performance of the Evolve Business Centre and further development of occupancy rates at Software Centre.

A key focus of the Portfolio continues to be the delivery of economic regeneration including the physical development of the city centre, in order to revitalise and regenerate these locations and attract new investment. Infrastructure works around Keel Square and St Mary's Way are now complete and work on High Street West is progressing. These will support the growth of the city centre as a whole as will the development of Sunderland Station. The new Sunderland College campus to be located in the City Centre will help to make the City Centre a busier and more vibrant place. Outside the city centre, the City Deal will enable the development of an International Advanced manufacturing Park predicted over time to attract £300m of private sector investment and create 5,200 new jobs. Improvements to the A19 will help facilitate this development.

All opportunities to maximise the potential benefits of the Region's devolution agenda and delivery mechanisms will be explored to ensure that these benefit people and businesses in the City.

Underpinning the Council wide approach to improvement is a programme of activity based around the Council's Community Leadership approach which is led by this Portfolio.

The Council's Community Leadership Programme is a key enabler of wider transformation within the Council. During 2015/16 it also intensified its focus upon city leadership. Promoted as 'All together Sunderland' this next generation of community leadership has identified priorities of critical importance to the future health and prosperity of Sunderland which must be approached in a more collaborative manner if progress and improvement is to be achieved.

All together Sunderland also operates at more 'operational' levels, engaging with communities and encouraging them to take greater responsibility for identifying and acting upon important local priorities, exploring means of achieving improvements in management of demand and encouraging partners to understand and use their existing assets together in new ways.

Operation of decentralised and devolved services through area arrangements continues and work is underway to increase the range and extent of services to be included within this so that more services become more responsive to the needs of our communities.

Within the Council the core elements of Community Leadership continue to operate and evolve in order to engage Councillors and Officers who support them in preparing for the evolution in their community leadership role which will be necessary to cope with the fast changing circumstances within which the Council operates. Existing support services have been refreshed and a new intake of ten Members was inducted after May elections. Further work is planned to improve the effectiveness of the Council's representation on outside bodies.

## REVENUE BUDGET 2016/2017 LEADER

Our approach to Community Leadership has strengthened the Council's position within influential national networks including Key Cities and the Co-operative Council's innovation Network and is helping to influence the emerging agenda of the Combined Authority.

### PORTFOLIO GLOSSARY

ACE	Assistant Chief Executive
HoBI	Head of Business Investment
DoCA&C	Director of Corporate Affairs and Communications
EDoCD	Executive Director of Commercial Development
HoCLP	Head of Community Leadership Programmes
HoS&P	Head of Strategy and Performance
HoLG	Head of Law and Governance
HTCT	Head of Transformational Change Team

## REVENUE BUDGET 2016/2017 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 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HoC&CM	0	Administration and PA Support	0
2	HoCSD	2,120,926	Benefits Payments	2,120,926
3	HoCSD	680,384	Benefits Administration	730,053
4	AHoFM	1,287,810	Council Tax and Business Rates Administration	1,292,084
5	HoES	813,693	Electoral Services	797,889
6	ACE	225,215	Equalities and Integration	151,294
7	HoCSD	0	ICT	0
8	DoHR&OD	0	Strategic and Operational HR	0
9	AHoFM	0	Transactional Finance	0
		<b><u>5,128,028</u></b>	<b>Total Office of the Chief Executive</b>	<b><u>5,092,246</u></b>
<b>Commercial Development</b>				
10	HoLG	0	Governance Services	0
11	HoLG	(54,950)	Information Governance	(57,110)
12	HoLG	0	Legal Services	0
		<b><u>(54,950)</u></b>	<b>Total Commercial Development</b>	<b><u>(57,110)</u></b>
<b>People Services</b>				
13	HoC&CM	454,430	Welfare Reform	457,779
		<b><u>454,430</u></b>	<b>Total People Services</b>	<b><u>457,779</u></b>
		<b><u>5,527,508</u></b>	<b>TOTAL BUDGET</b>	<b><u>5,492,915</u></b>

## REVENUE BUDGET 2016/2017 DEPUTY LEADER

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The Portfolio continues to review services in order to deliver savings and also to provide services in the most effective way possible. In 2016/2017 £1.948m of savings are anticipated with plans being implemented in the following areas:

#### Strategic Support Services

Significant savings continue to be delivered through reductions in back-office support. Savings are masked in these support services by the impact of recharging the net costs to their client service areas.

- The Business Support service is being reconfigured to reflect the requirements of the future council. A full service review will improve processes, deliver lower cost, manage demand and increase self-service and reduce the service catalogue.
- The broad focus for ICT is on managing the relationship with the Intelligence and ICT partners (and other commissioned capacity or capability) with the ability to trade and, therefore, serve the core council and wider system of public to private enterprise. The service is developing and implementing a new operating model that ensures the council has a robust and fit for purpose ICT service.
- Within Strategic and Operational HR, the proposal is to build on the existing income generation capacity of the service with the establishment during early 2016/2017 of an expanded alternative delivery model. In addition to increased income generation, capacity will also be reduced in the service.
- Transactional Services will operate at reduced capacity by improving the efficiency of service.
- As front-line service delivery changes, Legal Services will continue to review the level of resource required. While some areas of activity are expected to reduce once alternative business structures are in place and operating, demands for legal support in other areas may remain at current levels as clients continue to seek support in respect of mandatory functions and / or in respect of business development proposals. Only formal Cabinet, Council, committee etc. meetings will be serviced by the “core” democratic services team with effect from April 2016. The level of resource required in respect of these areas and for making and recording decisions will need to reflect any changes in decision making processes within the Council.

A significant element of the councils savings plans are dependent upon implementation of workforce planning arrangements which continue to be implemented and are being led by this Portfolio.

The Portfolio continues to robustly monitor and manage risks associated with Business Rates and Council Tax income levels given their significance within current funding arrangements for Local Government.

### PORTFOLIO GLOSSARY

ACE	Assistant Chief Executive
AHoFM	Assistant Head of Financial Management
DoHR&OD	Director of Human Resources and Organisational Development
HoES	Head of Electoral Services
HoCSD	Head of Customer Service Development
HoC&CM	Head of Commissioning and Change Management
HoLG	Head of Law and Governance

## REVENUE BUDGET 2016/2017 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
- Adult Social Care and Housing

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 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HCAP	0	Audit, Risk and Assurance	0
2	HoFM	4,047,504	Corporate Management	3,728,010
3	HoFM	0	Financial Resources	0
4	HCAP	0	Procurement	0
5	AHoFM	178,019	Strategic External Funding Unit	191,859
6	HoFM	468,575	Non Distributable Costs	350,093
		<b><u>4,694,098</u></b>	<b>Total Office of the Chief Executive</b>	<b><u>4,269,962</u></b>
<b>Commercial Development</b>				
7	DSM	0	Asset Management	0
8	HoPR	39,399	Building Control	(113,478)
9	HSS	201,446	Civil Contingencies	205,941
10	HoPR	132,256	Development Control	57,621
11	EVM	(436,149)	Miscellaneous Land, Property and Industrial Estates	(269,876)
12	EVM	2,301,351	Planning Implementation	2,360,438
13	DSM	0	Repairs and Renewals	0
14	EVM	(130,862)	Retail Market	(137,716)
15	HSS	179,197	Security Services	164,922
		<b><u>2,286,638</u></b>	<b>Total Commercial Development</b>	<b><u>2,267,852</u></b>
<b>Enterprise Development</b>				
16	PD	(300,000)	Port of Sunderland	(360,000)
		<b><u>(300,000)</u></b>	<b>Total Enterprise Development</b>	<b><u>(360,000)</u></b>
		<b><u>6,680,736</u></b>	<b>TOTAL BUDGET</b>	<b><u>6,177,814</u></b>

## REVENUE BUDGET 2016/2017 CABINET SECRETARY

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The Portfolio continues to review services in order to deliver savings and to provide services in the most effective way possible. In addition to the corporate and cross cutting budget reductions that the portfolio is leading on, £1.112m savings are anticipated in 2016/2017 with plans being implemented in the following areas:

#### Strategic Support Services

Significant savings have already been delivered through reductions in back-office support. Savings are masked in these support services by the impact of recharging the net costs to their client service areas.

- Reduced Audit, Risk and Assurance and Project Support will focus activity on high risk areas whilst there will be a continuation of the shared service arrangements that have worked successfully with South Tyneside for claims handling.
- Financial Services will be reviewed and reconfigured to reflect the reducing customer base (e.g. Leisure JV) and released capacity. The redesign will utilise the most efficient solutions with a risk-based focus.
- There will be an increased use of national and regional contracts with a review of arrangements to provide Procurement support to commissioners and managers. This will increase focus on contract management and remove support for smaller procurements.

Within Asset Management, reductions will be delivered by reviewing arrangements and responsibilities for asbestos management, electricity at work, water hygiene etc. and through the independent review of assets that will inform the future direction of property assets and income earning opportunities post LABV.

Income will be increased through a more proactive approach to engaging developers at the pre-application stage in planning, and expanding the geographical coverage of building control through partnership arrangements. It is proposed to create a Major development team from existing staff that will focus on attracting business via the pre-application process so that strategic and major developments in the city can be effectively project managed through the use of Planning Performance Agreements.

The phased reduction of Security Services up to 2020 will see the service ceasing with park and cemetery opening and closing in 2016/2017. This will create an open park policy 24/7 and remove the park wardens at Barnes Park, Mowbray Park and the mobile service, with security requirements for events paid for by the event organiser. Communities in the vicinity of parks will be given the option to open and close park gates if they consider it a priority.

The balance of trade at the Port will improve through the reduction of operating costs and increase in income primed by investments made in port infrastructure and preparing sites within the estate for development.

The Portfolio continues to explore wider commercial opportunities for the council that will assist with the economic regeneration and prosperity of the city. The Council formed a Local Asset Backed Vehicle (Siglion) with Carillion (Maple Oak) Ltd in November 2014. Igloo Regeneration Limited will provide development management and strategic asset management services to Siglion. Siglion's early development focus will be on developing the three priority regeneration sites of the former Vaux brewery, Chapelgarth and Seaburn as well as managing the investment property portfolio. The former Vaux brewery site will be predominantly an office-led development with construction planned to start mid 2016 with completion by the end of 2017. This will add impetus to the regeneration of the city centre. Chapelgarth is a mixed density residential development and Seaburn a mixed leisure and residential development which will improve the attractiveness of the area as a visitor destination. Consultation with residents and business continues in respect of the sites as the development proposals are progressed.

The Portfolio will also continue to assist in maximising external income and developing opportunities for alternative service delivery across the Council.

The government have announced funding levels for 2016/2017 and indicative data through to 2019/2020. Current plans to eliminate the public sector spending deficit by 2018/2019 and run a budget surplus means it is clear that public sector and local government funding will continue to be under sustained significant cuts.

## REVENUE BUDGET 2016/2017 CABINET SECRETARY

However, there remains significant uncertainty due to the proposed changes to the way Local Government is funded with 100% rates retention and the proposed cessation of Revenue Support Grant during this Parliament. 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.

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. It is clear that significant cuts are likely to continue. This Portfolio will be instrumental in responding to the challenges this raises.

In addition the impact of the global and national economies continues to be monitored. The medium term financial strategy will be continually updated as details emerge.

### PORTFOLIO GLOSSARY

DSM	Design Services Manager
HoPR	Head of Planning and Regeneration
HSS	Head of Security Services
EVM	Estates and Valuation Manager
HCAP	Head of Corporate Assurance and Procurement
HoFM	Head of Financial Management
AHoFM	Assistant Head of Financial Management
PD	Port Director

## REVENUE BUDGET 2016/2017 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
- Safeguarding and Securing the wellbeing of children, young people and families
- Promoting good health and health awareness in children and young people
- Reduction of child and family poverty
- 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 2015/2016 £		Estimate 2016/2017 £
<b>People Services</b>				
<b>Educational Attainment and Lifelong Learning</b>				
1	HoEA&LL	125,643,725	Individual Schools Budget	125,606,333
2	HoEA&LL	(123,298,283)	School Grants - Education Funding Agency	(123,251,985)
3	HoEA&LL	5,880,385	Retained Activity-Schools and Learning	5,529,224
4	HoEA&LL	2,915,049	School Support and Intervention	2,792,521
5	HoEA&LL	4,008,238	Special Educational Needs	4,124,227
6	HoEA&LL	397,271	Derwent Hill Trading Operations	408,221
7	HoEA&LL	185,667	Hub Connexions – Trading Operations	104,143
		<b>15,732,052</b>	<b>Total Educational Attainment and Lifelong Learning</b>	<b>15,312,684</b>
<b>Children's Safeguarding</b>				
8	HoCS	23,712,688	Children Looked After Strategy	26,643,509
9	HoCS	2,018,805	Disabled Children	1,943,127
10	HoCS	10,283,677	Children's Social Work	12,467,555
11	HoCS	1,650,964	Youth Offending Service	1,733,776
12	HoCS	168,587	Sunderland Safeguarding Children's Board	204,746
13	HoCS	658,193	Independent Reviews	687,927
		<b>38,492,914</b>	<b>Total Children's Safeguarding</b>	<b>43,680,640</b>
14	HoC&FW	11,413,595	Locality Based Working	10,403,181
15	HoC&FW	231,168	Parent Partnership	236,940
16	HoC&FW	(181,001)	Health and Well Being	(186,068)
		<b>11,463,762</b>	<b>Total Community and Family Wellbeing</b>	<b>10,454,053</b>
		<b>65,688,728</b>	<b>TOTAL BUDGET</b>	<b>69,447,377</b>

## REVENUE BUDGET 2016/2017 CHILDRENS SERVICES

### PROPOSALS FOR INVESTMENT AND ADDRESSING BUDGET REDUCTIONS

Following the Ofsted inspection of Early Help, Safeguarding and services for Looked after Children there is a “direction” which requires that the statutory safeguarding function moves to a Trust. Discussions are ongoing as to which of the wider Children’s Services outside of the safeguarding function would usefully transfer. The strategy for the next 5 years will focus on improving safeguarding services whilst bringing the budget back into line and delivering efficiencies by reducing the number of Looked after Children and changing service delivery in other areas.

Children’s Services proposals for 2016/2017 are consistent with the Safeguarding Improvement Plan. Provision has been included in the 2016/2017 budget in respect of the continued demand pressures in relation to Safeguarding and Looked after Placements reflecting the latest improvement plan requirements. Budget reductions of £2.703m are anticipated in 2016/2017 through the portfolio’s savings strategy. Plans are being implemented in respect of the following key strands of business:

#### Children remaining in the care of the Family

Review of integrated services working directly with children and families whilst children remain in the family. The review will look at the points of intervention with families across a range of services and consider areas of duplication or where better integrated working would offer better outcomes for the family. It will be based on a single assessment of need and a better coordinated response to identified needs and will provide the basis for greater multi-agency integrated working in the future.

#### Children Looked After

Plans are in place to review, develop and implement a more localised offer to respond to both the increases in older children and the number of external placements. A root and branch review will be carried out of our needs and the options that exist with an emphasis on developing a more local offer that meets the diverse needs that are presented. The review will involve engaging with staff and children and also looking at best practice elsewhere.

#### Statutory Education Function

A review of the statutory role of the Local Authority in Education will be undertaken alongside national consultation in 2016, recognising the greater autonomy of schools and the importance of brokering effective partnerships between schools to effect school improvement.

### PORTFOLIO GLOSSARY

HoEA&LL	Head of Educational Attainment and Lifelong Learning
HoCS	Head of Children’s Safeguarding
HoC&FW	Head of Community and Family Wellbeing

## REVENUE BUDGET 2016/2017 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 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 2015/2016 £		Estimate 2016/2017 £
			<b>Commercial Development</b>	
1	EVM	572,605	Housing and Neighbourhood Renewal	551,174
		<u>572,605</u>	<b>Total Commercial Development</b>	<u>551,174</u>
			<b>People Services</b>	
2	HoHSCL	826,581	Access to Housing	843,947
3	HoHSCL	1,408,565	Housing Related Support	1,439,620
4	HoP	66,328,298	Adult Social Care, including Older People, People with Physical, Learning and Mental Health Disabilities	72,931,249
5	HoSC	0	Strategic Commissioning	0
		<u>68,563,444</u>	<b>Total People Services</b>	<u>75,214,816</u>
		<u>69,136,049</u>	<b>TOTAL BUDGET</b>	<u>75,765,990</u>

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The proposals for 2016/2017 are consistent with the People Services Directorate Plan on a page Themes which cover the 3 year period 2014/2015 to 2016/2017 and specifically the priorities to deliver integrated locality services and supporting independence through building individual and community resilience and improving access to appropriate housing options. Budget reductions of £5.012m are anticipated in 2016/2017 through the portfolio's savings strategy. Plans are being implemented in respect of the following key strands of business:

Adult Social Care will focus even more on the strategic commissioning of services and external delivery models. The principle for delivery of adult social care is to improve outcomes for vulnerable residents by:

- Delivering against the requirements of the Care Act;
- Prevention and reablement;
- Extending and considering a wider range of housing options with residential care as the least preferred option in most cases; and
- Meeting assessed need in the most cost-effective way.

As the majority of services for adult social care are currently commissioned, these arrangements will be reviewed to continue to ensure services are commissioned in the most cost-effective way and unit costs are minimised. Within the area of assessment and review where alternative service delivery models (ASDMs) are currently being developed with partners.

**REVENUE BUDGET 2016/2017  
HEALTH, HOUSING AND ADULT SERVICES**

**PORTFOLIO GLOSSARY**

EVM	Estates and Valuation Manager
HoP	Head of Personalisation
HoSC	Head of Strategic Commissioning
HoHSCL	Head of Housing Support and Community Learning

## REVENUE BUDGET 2016/2017 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 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HCLP	947,956	Events	1,075,649
2	DoCA&C	68,019	Tourism	43,752
3	DoPH	0	Public Health	0
		<u>1,015,975</u>	<b>Total Office of the Chief Executive</b>	<u>1,119,401</u>
<b>People Services</b>				
4	HoHSCL	646,619	Arts and Creative Development	689,003
5	HoHSCL	844,832	Community Sports and Physical Activity Development	785,873
6	HoHSCL	87,036	Grants to Community Projects and Miscellaneous Contributions	60,892
7	HoHSCL	172,167	Heritage	180,805
8	HoEA&LL	3,410,041	Libraries	3,384,236
9	HoHSCL	2,213,057	Museums and Archives Service	2,020,435
10	HoHSCL	178,820	Resorts	173,446
11	COOPS	1,970,081	Sport and Leisure Facilities	0
12	HoHSCL	1,276,505	Theatre	859,107
		<u>10,799,158</u>	<b>Total People Services</b>	<u>8,153,797</u>
		<u>11,815,133</u>	<b>TOTAL BUDGET</b>	<u>9,273,198</u>

## REVENUE BUDGET 2016/2017 PUBLIC HEALTH, WELLNESS AND CULTURE

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The Portfolio continues to review services in order to deliver savings and also to provide services in the most effective way possible. In 2016/2017 £1.161m savings are anticipated and these assume negotiating with partners to reduce historical financial support and a reduction in the Museum offer. During 2016/17 a business case will be produced, determining the future Cultural Offer and what is achievable through alternative arrangements with significantly reduced future Council funding. The aim is to recognise the benefits on both the local economy and the wellbeing of residents from the Cultural Offer and to ensure the maximum cultural offer that is achievable within a significantly reduced resource is in place. This is likely to lead to a change in current provision including increased charging.

In relation to Public Health, the proposed budget for 2016/2017 does not take into account any future proposed reductions to the Public Health Grant as the government have not yet announced funding levels for 2016/2017. In addition, the outcome of the recent consultation exercise 'Public Health Grant: Proposed Target Allocation Formula for 2016/2017' remains unknown. The impact of both announcements will be considered, once published, and reported appropriately.

### PORTFOLIO GLOSSARY

DoCA&C	Director of Corporate Affairs and Communications
HCLP	Head of Community Leadership Programmes
DoPH	Director of Public Health
HoHSCL	Head of Housing Support and Community Learning
HoEA&LL	Head of Educational Attainment and Life Long Learning
COOPS	Chief Operating Officer People Services

## REVENUE BUDGET 2016/2017 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

**REVENUE BUDGET 2016/2017  
CITY SERVICES**

**FINANCIAL**

**OBJECTIVE SUMMARY**

Ref.	Head of Service Ref.	Revised Estimate 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HCAP	0	Building Cleaning	0
2	HCAP	0	Civic Catering	0
3	HCAP	0	Civic Centre Management	0
4	HCAP	0	Facilities Management	0
5	HCAP	242,720	Public Conveniences	255,618
6	HCAP	(85,495)	School Meals	(263,572)
		<u>157,225</u>	<b>Total Office of the Chief Executive</b>	<u>(7,954)</u>
<b>Commercial Development</b>				
7	COOP	(959,776)	Bereavement	(1,147,399)
8	DSM	(77,254)	Building Services	(84,567)
9	COOP	0	Contract and Compliance	0
10	COOP	715,775	Coroner's Court	781,460
11	COOP	0	Depots	0
12	COOP	0	Fleet	0
13	COOP	6,884,461	Highways and Transportation	6,549,848
14	COOP	2,833,685	Network and Traffic Management	2,788,387
15	COOP	593,482	Parking Services	394,451
16	COOP	1,593,922	Public Protection and Regulatory Services	1,381,808
17	COOP	207,662	Registrars	200,922
18	COOP	8,758,344	Responsive Local Services	6,562,960
19	COOP	6,621,056	Street Lighting	6,825,157
20	COOP	5,911,014	Waste Collection and Recycling	5,363,234
21	COOP	10,224,924	Waste Disposal	10,370,359
		<u>43,307,295</u>	<b>Total Commercial Development</b>	<u>39,986,620</u>
		<u>43,464,520</u>	<b>TOTAL BUDGET</b>	<u>39,978,666</u>

## REVENUE BUDGET 2016/2017 CITY SERVICES

### PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS

The Portfolio continues to review services in order to deliver savings and also to provide services in the most effective way possible. In 2016/2017 £5.511m savings are anticipated with plans being implemented in the following areas:

Within Bereavement services, contribution to reductions will continue through annual increases in the fees for burial and cremation and developing an improved range of options for memorialisation services available to residents to purchase. The future focus of the service will be around improving operational efficiency, income and service to users.

The Fleet and Transport review will continue to capture further efficiencies as the council reduces in size over the next 5 years. The service will work with other areas to maximise vehicle reductions as part of planned service configurations. A procurement options review of the maintenance workshops is underway to identify the most efficient method of service delivery.

The revenue element of the highways budget funds day to day reactive maintenance only and intervention levels will be reviewed further. A range of proposals will be phased in up to 2020 including in relation to the generation of additional income through a more proactive approach to working with developers to support the design and delivery of highways improvements and a risk-based review of the non-statutory School Crossing service leading to a reduction in road safety staff and part-time school crossing patrol staff where early savings could be made by removing existing provision at controlled crossings (zebra / signals) and through the use of traffic management measures (pedestrian controlled crossings and refuges) as appropriate. Reductions in 2016/2017 will come from the implementation of a wider review of the Infrastructure and Transportation function and the integration of roles, responsibilities and structures.

Reductions will be delivered through the expansion of measures in the Parking plan. Specific measures include appropriate annual increases in parking tariffs commensurate with neighbouring authorities equivalent to 10p per annum, charging for a number of car parks that are currently free, increasing the number of on-street parking bays, increasing the cost of staff parking permits and increasing the charge for parking waivers.

Within Public Protection and Regulatory Services, savings will be made through integrating the statutory housing, environmental health and licensing functions into the broader protection structure and embedding the housing renewal function into the new planning and regeneration service with a renewed focus on developing and delivering broader housing strategy. Staff will continue to work within their specialism, but will also maintain core competence in other areas in order to provide resilience although the overall reduction in staff numbers will require a concentration on matters affecting broad sectors of the populace and a diminished response with regard to issues impacting upon smaller groups.

Registrar's fees will be reviewed and increased in line with regional trends projected to be around 5% per annum.

A new delivery model is proposed for responsive Local Services whereby citywide assets are identified with the Portfolio Holder and a revised maintenance programme designed and costed from a new schedule of rates for a range of standards for cleansing, grounds maintenance etc. The remainder of the RLS budget will be available for Area influence, with a balanced and transparent mechanism determining the budget available across the five Areas. Each Area will keep an Area Response Manager and rapid response team and the pattern of service provision for cleansing, grounds maintenance etc., affordable from the remaining Area budget, will be co-produced by officers and Area Place Boards using the new schedule of rates on an annual basis. This will set the pattern of services for the core commission, the performance of which will be reviewed quarterly. Area Committees will have the choice to 'top-up' the core commission from Area budget or supplement it by commissioning from other organisations.

The cost of waste disposal will be reduced by encouraging the public to cut the amount of waste they produce and divert as much as possible into the blue recycling bin. This approach will use secured funding to deliver a planned programme of targeted incentives and marketing whilst, at the same time, recycling will be included in the trade waste offer. Planning assumptions reflect an annual 1% reduction in domestic waste.

The portfolio continues to work closely with the successful school meals consortium to ensure a high quality schools service is provided at low cost. This close working relationship has enabled a smooth transition of the impact of the free school meal for nursery and primary school children.

**REVENUE BUDGET 2016/2017  
CITY SERVICES**

**PORTFOLIO GLOSSARY**

HCAP	Head of Corporate Assurance and Procurement
DSM	Design Services Manager
COOP	Chief Operating Officer - Place

## REVENUE BUDGET 2016/2017 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
- 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 2015/2016 £		Estimate 2016/2017 £
<b>Office of the Chief Executive</b>				
1	HoS&AA	1,897,295	Area Arrangements	1,642,437
2	HCAP	172,596	Area Facilities	175,382
3	HoCSD	0	Customer Service Network	0
4	HoCSD	511,112	Intelligence Hub	533,335
5	HoS&P	310,772	Safer Communities	298,088
6	HoS&AA	1,676,666	Strategic Initiative Budget / Community Chest Grant	1,676,666
		<b>4,568,441</b>	<b>Total Office of the Chief Executive</b>	<b>4,325,908</b>
<b>People Services</b>				
7	HoEA&LL	11,876	Family, Adult and Community Learning	5,243
8	HoHSCL	358,801	Anti-Social Behaviour	359,932
9	HoP	7,629	Drug Awareness, Prevention and Treatment	15,890
		<b>378,306</b>	<b>Total People Services</b>	<b>381,065</b>
		<b>4,946,747</b>	<b>TOTAL BUDGET</b>	<b>4,706,973</b>

## **REVENUE BUDGET 2016/2017 RESPONSIVE SERVICES AND CUSTOMER CARE**

### **PROPOSALS FOR ADDRESSING BUDGET REDUCTIONS**

The Portfolio continues to review services in order to deliver savings and also to provide services in the most effective way possible. In 2016/2017 £0.278m savings are anticipated with plans being implemented in the following areas:

#### **Customer Services Network**

The enabling role the Portfolio undertakes remains central to the strategy of delivering improved services for lower cost. Options to introduce more efficient and cost effective access to services, resolve demand at the earliest opportunity and absorb additional demand without increased headcount will continue to be delivered by the Customer Services Network, although there is no specific target reduction.

#### **Intelligence Hub**

The portfolio has been concentrating on developing an intelligence approach across the council and with partners to ensure need is being met and outcomes are being achieved. A number of early adopter projects, such as Strengthening Families and Flood Management, are already demonstrating early successes in terms of using data and information to better target resources, improve service delivery and inform decision making.

The work supports the delivery of efficiencies across the Council with the implementation of the intelligence approach now delivering more refined, quicker and cheaper ways of gathering and presenting data which is providing a better evidence base to inform decision making, more efficient ways of working, reduced levels of demand and better targeting of resources. This is enabling the delivery of savings through reduced staffing levels whilst maintaining high quality, targeted services. This work continues at a pace.

#### **Area Arrangements**

The Portfolio continues to embed as a way of working the Area Committees and Board roles in influencing the design, delivery, review and commissioning of public services at a local level. Critical to this is the on-going development of the communities' capacity to engage in the shaping, delivery, review and provision of public services through these newly introduced area arrangements, ensuring that elected members can effectively influence and shape at both a city level (and in the wider context) as well as at a locality level. Significant effort continues to be placed on developing Elected Members in a local area partnership context, engaging and understanding their communities better, developing their understanding and relationships with key partner organisations and influencing decisions on what and how is delivered within their communities.

Recognising the major budget pressures facing the council, reviewing the democratic decision making model in line with Future Council 2020 thinking to ensure robust and effective governance arrangements are in place including SIB/Community Chest grants, integrating appropriate Member Support Functions into the one service grouping to rationalise ways of working and staffing structures.

### **PORTFOLIO GLOSSARY**

HoCSD	Head of Customer Service Development
HoS&AA	Head of Scrutiny and Area Arrangements
HCAP	Head of Corporate Assurance and Procurement
HoS&P	Head of Strategy and Performance
HoHSCL	Head of Housing Support and Community Learning
HoP	Head of Personalisation
HoEA&LL	Head of Educational Attainment and Life Long Learning



# ***Report***



**APPOINTMENTS – (i) NEW LOCAL AUTHORITY TRADING COMPANY FOR PLACE MANAGEMENT SERVICES (ii) SUNDERLAND CARE AND SUPPORT (HOLDING COMPANY) LIMITED AND SUNDERLAND CARE AND SUPPORT LIMITED**

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

**1.0 Introduction**

1.1 The purpose of this report is to consider appointments to the Board of the new Local Authority Trading Company (LATC) for Place Services and to clarify the position with regard to Sunderland Care and Support (Holding Company) Limited and Sunderland Care and Support Limited.

**2.0 New Local Trading Company (LATC) for Place Services**

2.1 Cabinet at its meeting held on 10<sup>th</sup> February, 2016 approved a proposal to set up a new Local Authority Trading Company (LATC) in order to externally trade Place Management services to public and private customers on a commercial basis. The Council's existing in-house Place Management services do not have legal freedom to trade commercially outside the Council in some areas. The establishment of an LATC will allow the Council to pursue commercial opportunities in a wider market place to supplement the budget available to deliver place management services to the residents of Sunderland.

2.2 The LATC will be a company limited by shares with one issued share to be held by the Council. This structure is the most commonly used Local Authority commercial vehicle and offers the Council the best long-term flexibility in terms of future ownership and strategic direction of the company.

As sole shareholder, the Council will appoint and remove directors of the board as required. Cabinet recommended to Council that the following Directors be appointed to the Board of the new LATC:

- Leader of the Council,
- Portfolio Holder, Cabinet Member for City Services,
- Executive Director of Commercial Development,
- Head of Place Management.

### **3.0 Sunderland Care and Support (Holding Company) Limited and Sunderland Care and Support Limited**

- 3.1 The Council is sole shareholder in Sunderland Care and Support (Holding Company) Limited and therefore has the right to appoint directors to that company. The Holding Company is the sole shareholder in the Subsidiary Company, known as Sunderland Care and Support Limited and may appoint Directors to that company.
- 3.2 In practice, both of these companies are controlled by the Council and have the same set of Directors for convenience and consistency. At the meeting of the Council held on 27 January 2016, the Council approved the appointment of additional Directors to Sunderland Care and Support, however it was not made clear that these appointments were to both the Holding Company and the Subsidiary Company.
- 3.3 For the avoidance of any doubt, the Council is asked to note the appointment of the Chief Operating Officer and the Chief Finance Officer of Sunderland Care and Support to the Board of Directors of both Sunderland Care and Support (Holding Company) Limited and Sunderland Care and Support Limited.

### **4.0 Recommendations**

- 4.1 The Council is accordingly recommended:-
- (i) to appoint the Leader of the Council, the Portfolio Holder Cabinet Member for City Services, the Executive Director of Commercial Development and the Head of Place Management as directors of the new Local Authority Trading Company for Place Management Services; and
  - (ii) to note the appointment of the Chief Operating Officer and the Chief Finance Officer of Sunderland Care and Support Limited to the Board of Directors of Sunderland Care and Support (Holding Company) Limited and Sunderland Care and Support Limited.