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North Tyneside Council

Cabinet

19 November 2021

Monday, 29 November 2021 Room 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm**.

Agenda Item		**Page(s)**
1.	**Apologies for Absence** To receive apologies for absence from the meeting.	
2.	**To Receive any Declarations of Interest and Notification of any Dispensations Granted** You are invited to **declare** any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to **disclose** any dispensation in relation to any registerable and/or non-registerable interests that have been granted to you in respect of any matters appearing on the agenda. Please complete the Declarations of Interests card available at the meeting and return it to the Democratic Services Officer before leaving the meeting.	
3.	**Minutes** To confirm the minutes of the meeting held on 18 October 2021 (previously circulated).	
4.	**Report of the Young Mayor** To receive a verbal report on the latest activities of the Young Mayor and Young Cabinet.	

Members of the public are welcome to attend this meeting and receive information about it.

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For further information about the meeting please call (0191) 643 5320.

Agenda Item		Page(s)
13.	**Annual Review of Council Policy on Covert Surveillance (RIPA)**	**343 - 358**
	To receive the Annual update of the Regulation of Investigatory Powers (RIPA) Policy.	
14.	**Exclusion Resolution**	
	This is to give further notice in accordance with paragraphs 5(4) and 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to consider items 15 and 16 below in private. Cabinet is requested to consider passing the following resolution: Resolved that under Section 100A (4) of the Local Government Act1972 (as amended) and having applied a public interest test as defined in Part 3 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act. Reasons for taking the items in private: The reports in items (15) and (16) below contain information relating to the financial or business affairs of any particular person (including the authority holding the information).	
15.	**Supply Chain Update**	**359 - 364**
	To receive an update on commercial matters relating to the care home market and the Authority's strategic partnerships.	
16.	**Corporate Risk Management Summary Report**	**365 - 434**
	To consider the latest review of key corporate risks undertaken by the Senior Leadership Team.	
17.	**Date and Time of Next Meeting**	
	Monday 24 January 2022 at 6.00pm.	

Circulation overleaf …

Circulated to Members of Cabinet: -

N Redfearn (Elected Mayor)
Councillor C Johnson (Deputy Mayor)
Councillor C Burdis
Councillor K Clark
Councillor S Cox
Councillor S Day
Councillor P Earley
Councillor S Graham
Councillor A McMullen
Councillor M Rankin

Young and Older People's Representatives and Partners of North Tyneside Council.

North Tyneside Council
Report to Cabinet
29 November 2021

Title: 2021/22 Financial Management Report to 30 September 2021

Portfolios:	**Elected Mayor** **Finance and Resources**	**Cabinet Member:**	**Norma Redfearn** **Councillor Martin Rankin**

Report from:	**Finance**	
Responsible Officer:	**Janice Gillespie, Director of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

This report is the third monitoring report to Cabinet on the 2021/22 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the latest indication of the potential revenue and capital position of the Authority for 31 March 2022.

1.1.1 The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the on-going Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic is having on the Authority in 2021/22.

1.1.2 The projected outturn position, as at 30 September, is estimated at £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m relating to the impact of Covid-19. The business-as-usual position is comparable with this stage of previous financial years, but the financial impact of Covid-19 is still having a significant bearing on the overall pressure faced by the Authority.

1.1.3 Significant financial support to residents and businesses passed through the Authority's books in 2020/21 and reconciling that work has challenged the sector. A large sum of financial support has been made available during 2021/22. The Authority has had £39.211m of grants funding available in 2021/22, to provide direct support for businesses (£22.171m), residents (£10.527m), care homes (£3.981m) and schools (£2.532m); as at the end of September 2021, £18,743m has been allocated with the remaining balance fully committed.

1.1.4 In addition, the Authority has a further £8.596m of grant funding available to support services, £7.261m of Local Authority Support Grant and an estimate of £1.335m in relation to lost Sales, Fees and Charges income for April 2021 to June 2021. The total financial impact on services as a result of Covid-19 is forecast to be additional pressures of £17.274m, which leaves a net pressure of £4.161m following allocation of the £8.596m and £4.517m utilised from the sector specific grants outlined above.

1.1.5 The impact of the Covid-19 pandemic on the Authority's finances has been significant, as demonstrated in this projected position, creating a great deal of risk and uncertainty to manage. The Authority is managing these risks while trying to ensure the priorities set out by the Mayor and Cabinet are achieved. As the Authority transitions from its Covid-19 recovery phase to a business-as-usual state, focus is now on building a better North Tyneside. The Mayor and Cabinet are aware that the pandemic has been tough for people and as such are trying to protect those who are struggling the most. This report provides an update on the work that has taken place since the pandemic began to support our residents and also highlights the key work that will take place in the future to ensure our residents stay safe as we learn to live alongside the virus.

1.1.6 Section 11 of the annex documents how funding from Government, combined with an allocation of resources from the Authority, have enabled £13.305m to be allocated towards supporting residents in the borough. From the beginning of the pandemic to date, £8.952m of this allocation has been used, supporting our most vulnerable residents when they were required to shield, supporting residents when they were required to self-isolate and supporting young people in the borough with free schools meals during the school holidays. We were also able to remove the council tax liability from our most vulnerable residents.

1.1.7 The remaining £4.353m is committed to be spent on such activities as continuing to supply free school meals during the school holidays, support for the Bread-and-Butter programme and continuing to support the Community and Voluntary Sector through the distribution of support for food, fuel and essential items. The Authority is also exploring a range of projects it can support using the Household Support Grant, including support for the Welfare Provision team, support for care leavers, support for housing costs, support to reduce fuel poverty and support for clothing and school uniforms.

1.1.8 Areas of business as usual continue to face financial pressures in particular across areas of Social Care and demand-led services that have been reported over a number of years. These pressures are currently forecast at £1.801m as at 30 September 2021.

1.1.9 This report necessarily reflects these known pressures the Authority will be required to manage during the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures of this nature will be managed by the Services.

1.1.10 The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2021/22 Schools budgets, Schools funding and the forecast outturn for the Housing Revenue Account as at 30 September 2021.

1.1.11 The report also provides an update on the 2021/22 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan, which are presented to Cabinet for approval.

1.1.12 The report provides an update on the 2021/22 Treasury Management and Cash Position and, as an Appendix, the mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy. Also included is a performance report on the Collection Fund.

1.2 Recommendations:

It is recommended that Cabinet:

(a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 30 September 2021 (Annex sections 1, 5, 6 and 7);

(b) approves the receipt of £1.927m new revenue grants (outlined in Annex section 3);

(c) notes the Authority's Investment Plan spend of £20.795m to 30 September 2021 and the financing of the Plan to the end of the year (Annex section 8); and

(d) approves variations of £10.470m (£6.155m for 2021/22) and reprogramming of (£0.637m) for 2021/22 within the 2021-2026 Investment Plan (Annex section 8).

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 23 July 2021.

1.4 Authority Plan and Policy Framework:

The budget is a key strand of the Authority's Budget and Policy Framework.

1.5 Information:

1.5.1 <u>Financial Position</u>

This report is the third monitoring report presented to Members on the Authority's 2021/22 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2022. This report is an interim view and it is expected this will change over the coming months as the recovery from Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2021/22 approved budget savings plans; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

1.5.2 General Fund Revenue Account

The budget for 2021/22 was approved by full Council at its meeting on the 18 February 2021. The net General Fund revenue budget was set at £150.154m. This included £4.337m of savings to be achieved, all of which had been identified in previous years.

The forecast overall pressure is estimated at £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m relating to the impact of Covid-19. The pressure on normal activities in the services is driven mainly by Health, Education, Care and Safeguarding at £6.972m, reflecting the continued pressures in Children's Services, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £5.442m of pressures in Corporate Parenting and Placements, and £1.628m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2020/21 and arise from:

- Continued growth in demand in Children's Social Care Services;
- Growth in numbers of children with Education and Health Care Plans;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk; and,
- Increases in staffing costs.

It is anticipated that the outturn forecast for normal activities will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

With regards to the impact of Covid-19, the main drivers behind the £17.274m impact on services are also within Health, Education, Care and Safeguarding where £9.763m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£4.220m) and in Commissioning & Asset Management (£2.441m).

1.5.3 New Revenue Grants

The following revenue grants have been received during August and September 2021:

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics	To provide support for statutory duties for teacher assessment and monitoring	0.011
Health Education Care and Safeguarding	Education and Skills Funding Agency	Covid-19 mass testing for schools and colleges	To support mass testing in schools and colleges	0.308
Commissioning and Asset Management	European Social Fund (via Department for Work and Pensions)	Step to Employment	To support residents aged 29 and over along a journey into employment or self-employment	0.092
Central Items	Department of Health and Social Care	Infection Control and Testing Fund Round 3	To support care providers with Covid-19 infection control measures, to support rapid testing of staff and visitors and to support roll out of flu vaccinations to care staff	1.516
Total				**1.927**

1.5.4 School Funding

There is no further update since the previous Cabinet report on the position as at the end of July 2021. Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2021/22 is £5.132m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures, which continue to be compounded by rising employment costs. The provisional outturn for the year ended 31 March 2021 showed a surplus of £3.721m, which reversed the trend of deficits over the previous few years. The forecast trend going forwards, however, is increasing deficit balances.

As well as school balances being forecast to reduce overall, some individual schools continue to face significant financial challenges. There are six schools with deficit budget plans for 2021/22, all of which continue to be in deficit following 2019/20. Cabinet will recall that the High Needs Block ended 2020/21 with a pressure of £8.720m. The latest forecast of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.673m reflecting a further rise in demand for special school places.

1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2022 of £3.429m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.417m higher than budget which was set at £3.012m, due mainly to the impact of the previous year's financial performance, but there is also an in-year estimated underspend of (£0.381m), against an in-year budget of £1.943m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As at the end of September 2021, 3,306 North Tyneside Homes tenants had moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored during the year to identify any impacts on the budget position.

1.5.6 Investment Plan

The approved 2021-2026 Investment Plan totals £285.371m (£90.391m 2021/22) and is detailed in table 29 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2021/22, reprogramming and other variations identified through the Investment Programme Governance process.

The monthly monitoring of the Investment Plan has resulted in proposals for variations of £10.470m and reprogramming of £0.637m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £93.631m for 2021/22 and to the end of September 2021 spend of £20.715m had been incurred which represents 22.12% of the revised plan.

1.5.7 Performance against Council Plan

The 2021-2025 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan, "Building A Better North Tyneside", has five key themes – a **thriving** North Tyneside, a **secure** North Tyneside, a **family-friendly** North Tyneside, a **caring** North Tyneside, and a **green** North Tyneside. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

A **caring** North Tyneside

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents

- We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough
- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job
- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;
- We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities We will reduce the number of derelict properties across the borough
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

A **secure** North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour
- We will continue to invest £2m per year in fixing our roads and pavements
- We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty
- We will provide 5,000 affordable homes

A **family-friendly** North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic
- We will provide outstanding children's services, events and facilities so North Tyneside is a great place for family life
- We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

A **caring** North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless
- We will support local community groups and the essential work they do
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

A **green** North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes
- Council environmental hit squads will crack down on littering
- We will secure funding to help low income households to install low-carbon heating

- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In common with most local authorities, and in line with the national picture, North Tyneside has seen costs within adult social care continue to rise. Along with the number of adults supported increasing over the last few financial years, the individual needs of those residents have increased due to people living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

In Children's Services, good progress continues to be made on engaging with children in the early years of life to ensure that they are ready for school. Safeguarding vulnerable children and maximising their educational attainment remain key priorities.

Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 5.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision Options:

The following decision options are available for consideration by Cabinet:

<u>Option 1</u>

Cabinet may approve the recommendations at paragraph 1.2 of this report.

<u>Options 2</u>

Cabinet may decide not to approve to recommendations at paragraph 1.2 of this report.

1.7 Reasons for Recommended Option:

Option 1 is recommended for the following reasons:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the Budget, especially given the current level of financial pressures faced by the public sector.

1.8 Appendices:

Annex : Financial Management Report to 30 September 2021
Appendix 1: 2021 – 2026 Investment Plan

Appendix 2: 2021/22 Prudential Indicators
Appendix 3: Treasury Management mid-year Review

1.9 Contact Officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109
David Dunford – Corporate Finance and General Fund matters – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters - Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background Information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Revenue budget 2021/22
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021_22.pdf

(b) Investment Plan 2021-26
https://democracy.northtyneside.gov.uk/documents/s5460/Appendix%20D%20i%20-%202021-2026%20Investment%20plan%20-%20FINAL.pdf (Agenda reports pack - Appendix D(i))

(c) Reserves and Balances Policy
https://democracy.northtyneside.gov.uk/documents/s5467/Appendix%20G%20Reserves%20and%20Balances%20Policy%202021-22.pdf (Agenda reports pack - Appendix G)

(d) Overview, Scrutiny and Policy Development Performance Report
https://democracy.northtyneside.gov.uk/documents/s5469/Appendix%20I%20-%20202122%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%202021.pdf

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 8 February 2022.

2.2 Legal

The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/Community Engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, Cabinet Members, the Senior Leadership Team and Senior Finance Officers.

2.3.2 External Consultation / Engagement

The 2021/22 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human Rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and Diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk Management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and Disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and Sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

2021/22 Financial Management Report Annex

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SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 This report is the third monitoring report to Cabinet on the 2021/22 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the third indication of the potential revenue and capital position of the Authority at 31 March 2022. The report explains where the Authority continues to manage financial pressures.

The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the ongoing Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority in 2021/22. The Authority continues to see areas of pressure across Adults and Children's Social Care, but there are also significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

1.2 The Authority's approved net revenue budget of £150.154m is currently forecast to outturn with a pressure of £5.962m. Table 1 in paragraph 1.5 below sets out the variation summary across the General Fund.

1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to the impact of Covid-19 which currently is forecast to add pressures of £17.274m to the General Fund in 2021/22. The total Local Authority Support Grant received from Government for 2021/22 to date is £7.261m, of which £5.576m is new and £1.685m is carried forward from 2020/21. In addition, £4.517m of grants have been received to support specific activities, and an assumption has been made that the Authority will receive £1.335m of Sales, Fees and Charges funding, leaving a forecast pressure in the General Fund due to Covid-19 issues of £4.161m. The remaining pressure of £1.801m relates to normal ongoing activities.

Section 4 of this Annex sets out details of all grant funding received in respect of Covid-19 issues.

1.4 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.

1.5 **Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 September 2021**

Services	Budget	Forecast Outturn September	Variance September	Previous Cabinet	Variance Change since July
	£m	£m	£m	£m	£m
Health, Education, Care and Safeguarding	74.144	81.116	6.972	7.281	(0.309)
Commissioning and Asset Management	8.013	9.271	1.258	0.884	0.374
Environment, Housing and Leisure	44.279	44.123	(0.156)	(0.036)	(0.120)
Regeneration and Economic Development	1.399	1.573	0.174	0.063	0.111
Corporate Strategy	0.711	0.741	0.030	0.077	(0.047)
Chief Executive's Office	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Resources	3.416	3.933	0.517	0.369	0.148
Law and Governance	0.308	0.793	0.485	0.418	0.067
Central Items – BAU	(2.051)	(9.499)	(7.448)	(7.212)	(0.236)
Central Items – Covid-19	0.000	4.161	4.161	5.607	(1.446)
Support Services	20.013	20.013	0.000	0.000	0.000
Total Authority	**150.154**	**156.116**	**5.962**	**7.420**	**(1.458)**

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 No new savings were proposed as part of the budget approved by Council in February 2021 so the total savings the Authority has had to find in the eleven years following the 2010 Comprehensive Spending Review (CSR) remains at the 2020/21 total of £127.756m.

2.2 **Table 2: Year on Year savings since 2010 CSR**

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
2019/20	6.875
2020/21	0.805
2021/22	0.000
Total Savings	**127.756**

2.3 Although no new savings were proposed, a total of £1.180m of savings targets were agreed in prior years budget setting processes for delivery in 2021/22. Savings targets of £2.181m within Health, Education, Care and Safeguarding (HECS) were met in 2020/21 through Covid grants or alternative management actions with a further £0.482m met through one-year funding sources. This leaves a total of £3.843m savings targets within HECS which still require a permanent solution in 2021/22. A target of £0.082m from 2020/21 within Commissioning and Asset Management also requires achievement on a permanent basis in 2021/22. The total savings that need to be achieved in 2021/22 are therefore £4.537m.

2.4 The delivery of savings in 2021/22 is expected to continue to be impacted by the Covid-19 pandemic within HECS and Commissioning & Asset Management however, savings delivery has improved by £0.790m within HECS since the last report and now totals £1.557m.

2.5 **Table 3: Efficiency Savings by Service at September 2021**

Service	2021/22 Targets £m	Projected Delivery £m	In Year Actions £m	Yet to be achieved £m
HECS	3.843	1.557	0.830	1.456
Commissioning & Asset Management	0.264	0.093	0.000	0.171
Environment Housing & Leisure	0.430	0.430	0.000	0.000
TOTAL	**4.537**	**2.080**	**0.830**	**1.627**

2.6 The governance structure of the Efficiency Savings Programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The variations in relation to the savings where delivery has been impacted by Covid are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

2.7 HECS has achieved savings targets totalling £1.557m relating to Sector Led Improvement income (£0.100m), assistive technology (£0.120m), maximising children's (£0.297m) and Adults NHS income (£0.250m) with improvements in delivery since the July report in relation to Learning Disability services (£0.220m), Income Management (£0.050m), development on internal services for children (£0.400m) and reduced external fostering arrangements (£0.120m). An in-year saving of £0.830m has been identified through management actions of retaining vacancies and managing third party payments within Adult services.

2.8 This service has been significantly impacted by the Covid-19 pandemic and the level of response required through each phase as the Pandemic unfolded. A proportion of the savings involve income generation via third parties. Other service delivery-based savings have been impacted due to capacity issues where placements have had to be maintained due to Covid-19 restrictions.

2.9 Finance Officers continue to attend meetings with senior managers and the Head of Service across adult and children's services and individual managers have assigned responsibilities to pursue deliverability of remaining schemes and to identify alternative proposals during 2021/22.

Commissioning and Asset Management

2.10 Within Commissioning and Asset Management the only savings target forecasted to be unmet in 2020/21 related to the target for an increase in school meals fees of £0.082m. This is now joined in 2021/22 by a further increase in this target of £0.082m. Both of these targets are forecasted as yet to be achieved pending decisions on school meal price increases. £0.093m of the target of £0.100m relating to SLA income is forecasted to be achieved, with the remaining £0.007m requiring an alternative solution following the departure of faith schools from the SLA.

Environment Housing and Leisure

2.11 All savings in this service are forecasted to be achieved.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified during August and September 2021.

Table 4: Grants Received or Notified in August and September 2021

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics	To provide support for statutory duties for teacher assessment and monitoring	0.011
Health Education Care and Safeguarding	Education and Skills Funding Agency	Covid-19 mass testing for schools and colleges	To support mass testing in schools and colleges	0.308
Commissioning and Asset Management	European Social Fund (via Department for Work and Pensions)	Step to Employment	To support residents aged 29 and over along a journey into employment or self-employment	0.092
Central Items	Department of Health and Social Care	Infection Control and Testing Fund Round 3	To support care providers with Covid-19 infection control measures, to support rapid testing of staff and visitors and to support roll out of flu vaccinations to care staff	1.516
Total				**1.927**

SECTION 4 – IMPACT OF COVID-19

4.1 The Authority continues to play a key role in supporting businesses, residents, care homes and schools with financial support and additional Covid-19 related services throughout the Pandemic. Financial impacts remain, due to loss of income as a result of closures and restrictions on the facilities the Authority operates and additional costs resulting from Covid-19 in relation to its business-as-usual activities. The Authority has received a range of grants from Government to fund this additional activity and the financial impact on the Authority's normal services. The tables below outline the grants received, spend in year and the outcomes related to each grant.

4.2 **Table 5: Supporting Our Businesses**

Business Grant	**Value Awarded 21/22**	**Value B/Fwd from 20/21**	**Value Spent 01.04.21-30.09.21**	**Value Committed @ 30.09.21**	**Value Available @ 30.09.21**
	£m	**£m**	**£m**	**£m**	**£m**
Business Support Top-Up (Closed Business Lockdown Payments)	0.000	3.307	0.199	3.108	0.000
Local Restrictions Support 'Closed' & 'Open'	0.000	4.694	0.353	4.341	0.000
Additional Restrictions Grant	0.000	2.661	2.661	0.000	0.000
Additional Restrictions Grant – Top Up	1.012	0.000	0.021	0.991	0.000
Christmas Support 'Wet-Pubs'	0.000	0.047	0.047	0.000	0.000
Restart Grants	9.804	0.000	8.875	0.929	0.000
Capacity Fund	0.000	0.636	0.268	0.368	0.000
Travel Demand Management	0.000	0.010	0.010	0.000	0.000
Total	**10.816**	**11.355**	**12.434**	**9.737**	**0.000**

4.3 The Authority has £11.355m of grant funding brought forward from 2020/21 with a further £10.816m awarded in 2021/22 aimed at supporting businesses across the Borough. £12.434m of this has been allocated to date. Of the remaining £9.737m, £8.378m is being held in anticipation of repayment to Central Government. This relates to the Business Support Top-Up, Local Restrictions Grants and Restart Grant where the schemes have ended and the Authority was awarded more funding than was required. The remaining £1.359m is anticipated to be fully allocated during the remainder of 2021/22.

4.4 **Table 6: Supporting Our Residents**

Residents Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Test & Trace Programme Support Grant	0.000	0.782	0.437	0.345	0.000
Emergency Assistance Grant	0.000	0.080	0.022	0.058	0.000
Contain Outbreak Management Fund	1.439	5.302	1.178	5.563	0.000
Test & Trace (self-isolation) Support Payments	0.634	0.438	0.486	0.586	0.000
LA Practical Support Framework	0.354	0.000	0.010	0.344	0.000
Covid Marshalls	0.000	0.003	0.003	0.000	0.000
Clinically Extremely Vulnerable	0.236	0.303	0.118	0.421	0.000
Rough Sleepers Additional Grant	0.025	0.000	0.025	0.000	0.000
Winter Grant	0.012	0.000	0.012	0.000	0.000
Local Support Grant & Extension	0.759	0.000	0.759	0.000	0.000
Rapid Testing in the Community	0.160	0.000	0.160	0.000	0.000
Total	**3.619**	**6.908**	**3.210**	**7.317**	**0.000**

4.5 The Authority has been awarded £3.619m of new grant funding in 2021/22 to continue supporting its residents on top of a brought forward balance of £6.908m from 2020/21, meaning there is £10.527m of funding available. This funding ranges from ensuring our most vulnerable are protected, individuals that needed to self-isolated still have access to the services they required and ensuring residents can visit our coastline and other attractions safely, where guidelines allow, through the employment of Covid Marshalls and other safety measures. The Authority has spent £3.210m in the period to the end of September and is committed to spending the balance of £7.317m in this financial year. The majority of the committed balance relates to the Contain Outbreak Management Fund. This grant is to help the Authority support the prevention of Covid-19 outbreaks or manage any that do occur in the borough. A number of plans are in place to spend this money over the remaining months of 2021/22 as restrictions ease and recovery continues.

4.6 **Table 7: Supporting Our Care Homes**

Care Sector Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Infection Control	1.278	0.544	0.687	1.135	0.000
Infection Control and Testing Grant	1.237	0.000	0.000	1.237	0.000
Rapid Testing – Care Homes	0.922	0.000	0.794	0.128	0.000
Total	**3.437**	**0.544**	**1.481**	**2.500**	**0.000**

4.7 The Authority has been awarded £3.437m to support the care homes within the borough, as well as having £0.544m carried forward from 2020/21. The majority of this funding is passed over directly to the care homes. The remaining funding is used to support the Authority's adult social care services for infection control and testing activities.

4.8 **Table 8: Supporting Our Schools**

Schools Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Digital Inclusion	0.000	0.076	0.051	0.025	0.000
Schools Catch-up Premium	0.880	0.000	0.880	0.000	0.000
Mental Health in Schools	0.024	0.000	0.000	0.024	0.000
Additional Home to School Transport	0.184	0.000	0.184	0.000	0.000
Mass Testing for Schools	0.074	0.233	0.233	0.074	0.000
Recovery Premium	1.061	0.000	0.270	0.791	0.000
Total	**2.223**	**0.309**	**1.618**	**0.914**	**0.000**

4.9 Grant funding of £2.223m has been awarded for 2021/22 with a brought forward balance from 2020/21 of £0.309m giving a balance available to spend on our maintained schools during 2021/22 of £2.532m. This funding is to help support schools to be able to continue to offer a Covid-safe environment and deliver services to ensure children are not detrimentally impacted by being unable to attend classes in school.

Supporting Council Services

4.10 The Authority's services have been heavily impacted by the Covid-19 pandemic. These services are being supported in 2021/22 by £5.576m of Local Authority Support Grant and a brought forward balance of £1.685m. There is also utilisation of £4.517m of specific grants supporting services, and an estimate of £1.335m of grant funding to cover losses on Sales, Fees and Charges, which together with the Local Authority Support Grant amounts to a total grant availability of £13.113m. The tables below, summarised in Table 15, show that the forecasted total impact of Covid-19 on general fund services in 2021/22 is expected to be £17.274m, which will therefore leave a pressure on Covid-19 of £4.161m over the funding currently available.

The figures in the tables below are forecasts based on a range of assumptions relating to when the service areas predict their services will see the financial impact of Covid-19 reduce and activity return to a pre pandemic level. These forecasts will continue to be updated as new Government guidance is considered and implemented.

4.11 **Table 9: Supporting Our Council Services in Commissioning & Asset Management**

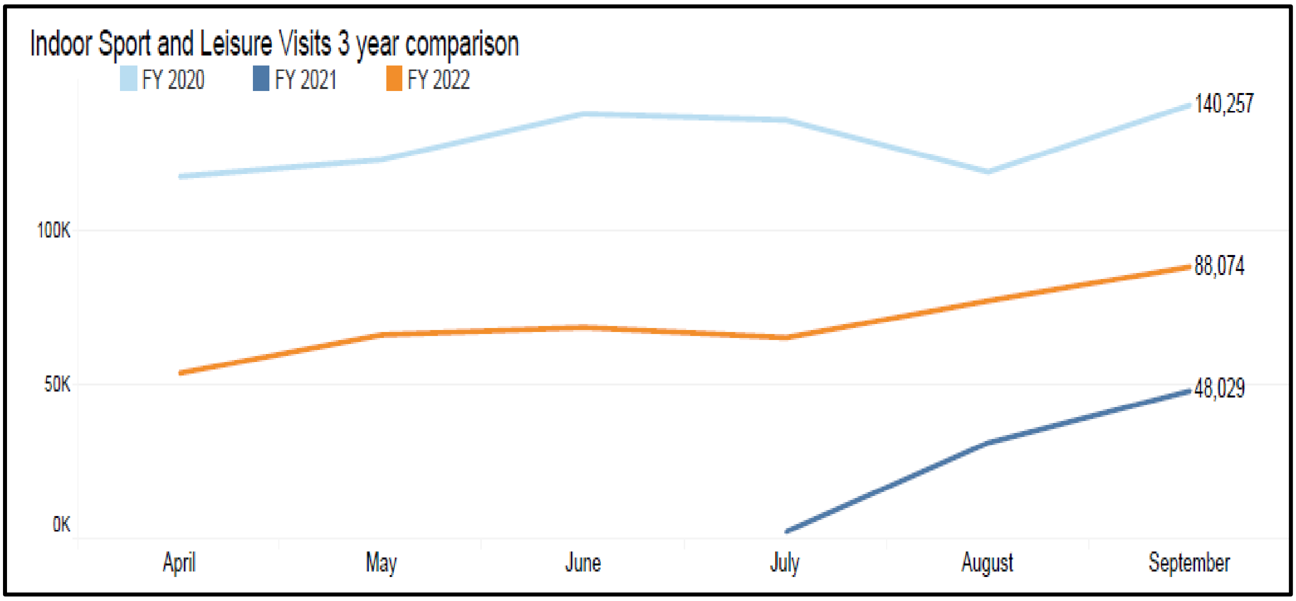
Commissioning & Asset Management	**Main Grant £m**	**Other Specific Grant £m**	**Total Claimed £m**
Free School Meals	1.496	0.000	1.496
Asset Management	0.050	0.000	0.050
LA7 Home to School Transport	0.000	0.184	0.184
Clinically Extremely Vulnerable	0.000	0.539	0.539
Electricity	(0.013)	0.000	(0.013)
Cleaning	0.046	0.000	0.046
Rents General	0.036	0.000	0.036
Car Parks (season tickets)	0.042	0.000	0.042
Penalty Notices (absence from School)	0.026	0.000	0.026
Contractor Payments	0.002	0.000	0.002
General Fund PPE	0.033	0.000	0.033
Total	**1.718**	**0.723**	**2.441**

4.12 **Table 10: Supporting Our Council Services in Environment, Housing & Leisure**

Environment Housing & Leisure	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Sport & Leisure	2.521	0.000	2.521
Environmental Services	0.182	0.000	0.182
Waste Management	0.456	0.000	0.456
Highways & Transport	0.505	0.000	0.505
Cultural Services	0.209	0.000	0.209
Homelessness	0.015	0.000	0.015
Marshalls	0.000	0.174	0.174
Environment & Regulatory	0.073	0.000	0.073
Planning & Development	0.085	0.000	0.085
Total	**4.046**	**0.174**	**4.220**

The main pressure within EHL relates to Sport & Leisure, where closures and reduced visits during the pandemic have significantly impacted on income. Chart 1 below shows that visitor numbers have improved in 2021/22 compared to 2020/21 but the number is still much lower than pre-pandemic levels.

Chart 1: Sport & Leisure Visits



4.13 **Table 11: Supporting Our Council Services in Health, Education, Care & Safeguarding**

Health, Education, Care & Safeguarding	Main Grant £m	Other Specific Grant £m	Total Claimed £m
CYPL - School Improvement	0.317	0.000	0.317
CYPL - Front Door & safe and support	1.464	0.000	1.464
CYPL - Placement Costs	1.615	0.000	1.615
CYPL - Residential Staffing	0.656	0.000	0.656
CYPL - Adoption Agency (NTC share)	0.089	0.000	0.089
ASC - Adult Services	2.640	0.000	2.640
ASC - Rapid Testing in Social Care	0.000	0.922	0.922
ASC - Infection Control Grant	0.000	1.278	1.278
CYPL & ASC sub total	**6.781**	**2.200**	**8.981**
PH - Test & Trace Support Service	0.000	0.782	0.782
Total	**6.781**	**2.982**	**9.763**

4.14 **Table 12: Supporting Our Council Corporate Strategy**

Corporate Strategy	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate Strategy	0.120	0.000	0.120
Total	**0.120**	**0.000**	**0.120**

4.15 **Table 13: Supporting Our Council Resources and Central Items**

Resources & Central Items	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate ICT	0.334	0.000	0.334
Finance / Corporate Services	0.082	0.000	0.082
Provision for Bad Debt	0.167	0.000	0.167
Total	**0.583**	**0.000**	**0.583**

4.16 **Table 14: Supporting Our Council in Law and Governance**

Law & Governance	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Law & Governance	0.147	0.000	0.147
Total	**0.147**	**0.000**	**0.147**

4.17 **Table 15: Covid-19 Support to Services Summary**

Service Area/ Category	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Total Impact on Services	13.395	3.879	17.274
Local Authority Support Grant	(7.261)	0.000	(7.261)
Sales, Fees and Charges*	0.000	(1.335)	(1.335)
Specific Covid Grants	0.000	(4.517)	(4.517)
Unallocated in Reserve	**6.134**	**(1.973)**	**4.161**

*This figure is an estimate of the value the Authority will be claiming in relation to the funding available to support losses on Sales, Fees and Charges. Currently, this grant is only available in 2021/22 to cover losses incurred in April 2021 to June 2021.

SECTION 5 – SERVICE COMMENTARIES

5.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2021/22, with forecasts being prepared on a prudent basis at this stage in the financial year. Challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Service Directors and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

5.2 **Health, Education, Care & Safeguarding (HECS)**

5.2.1 HECS is showing a forecast variance of £6.972m against its £74.144m net controllable expenditure budget, an improvement of £0.309m from the July position of £7.281m. This position is after adjusting for a total of £9.763m of Covid-19 related cost and income pressures which are now shown within Central Items. The forecasted pressure is mostly within Children's Services and excludes the application of contingency budgets set aside in Central Items for pressures in Children's Services of £3.116m.

5.2.2 The HECS service continues to be impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work is also ongoing to support social care providers to maintain their vital services. Further details on Covid impacts are shown in Section 4 above.

5.2.3 **Table 16: Forecast Variation for HECS at September 2021**

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Corporate Parenting & Placements	15.802	21.244	5.442	5.720	(0.278)
RHELAC Service	0.008	0.008	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.708	0.718	0.010	0.014	(0.004)
Early Help & Vulnerable Families	1.543	1.392	(0.151)	(0.172)	0.021
Employment & Skills	0.591	0.565	(0.026)	(0.021)	(0.005)

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Integrated Disability & Additional Needs Service	2.284	3.912	1.628	1.624	0.004
School Improvement	0.319	0.359	0.040	0.022	0.018
Regional Adoption Agency	0.000	0.000	0.000	0.000	0.000
Children's Services Sub-total	**21.255**	**28.198**	**6.943**	**7.187**	**(0.244)**
Central, Strategy and Transformation	1.131	1.163	0.032	0.030	0.002
Social Work and Associated Activity	7.211	7.446	0.235	0.394	(0.159)
Integrated Services	2.751	2.336	(0.415)	(0.412)	(0.003)
Business Assurance	0.296	0.340	0.044	0.082	(0.038)
Sub-total Operations	**11.389**	**11.285**	**(0.104)**	**0.094**	**(0.198)**
Commissioned Services – Wellbeing and Assessment	11.250	10.112	(1.138)	(1.072)	(0.066)
Commissioned Services – Learning Disability	25.435	25.364	(0.071)	(0.250)	0.179
Commissioned Services – Mental Health	3.312	4.623	1.311	1.291	0.020
Commissioned Services - Other	1.262	1.293	0.031	0.031	0.000
Sub-total – Commissioned Services	**41.259**	**41.392**	**0.133**	**0.000**	**0.133**
Adult Services Sub-total	**52.648**	**52.677**	**0.029**	**0.094**	**(0.065)**
Public Health	0.241	0.241	0.000	0.000	0.000
Total HECS	**74.144**	**81.116**	**6.972**	**7.281**	**(0.309)**

Main budget pressures across HECS

5.2.4 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of care homes within the borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.

5.2.5 The main factor behind the overall forecast position, however, is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. There is also a pressure relating to services for children with additional needs. In addition to care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs.

Children's Services

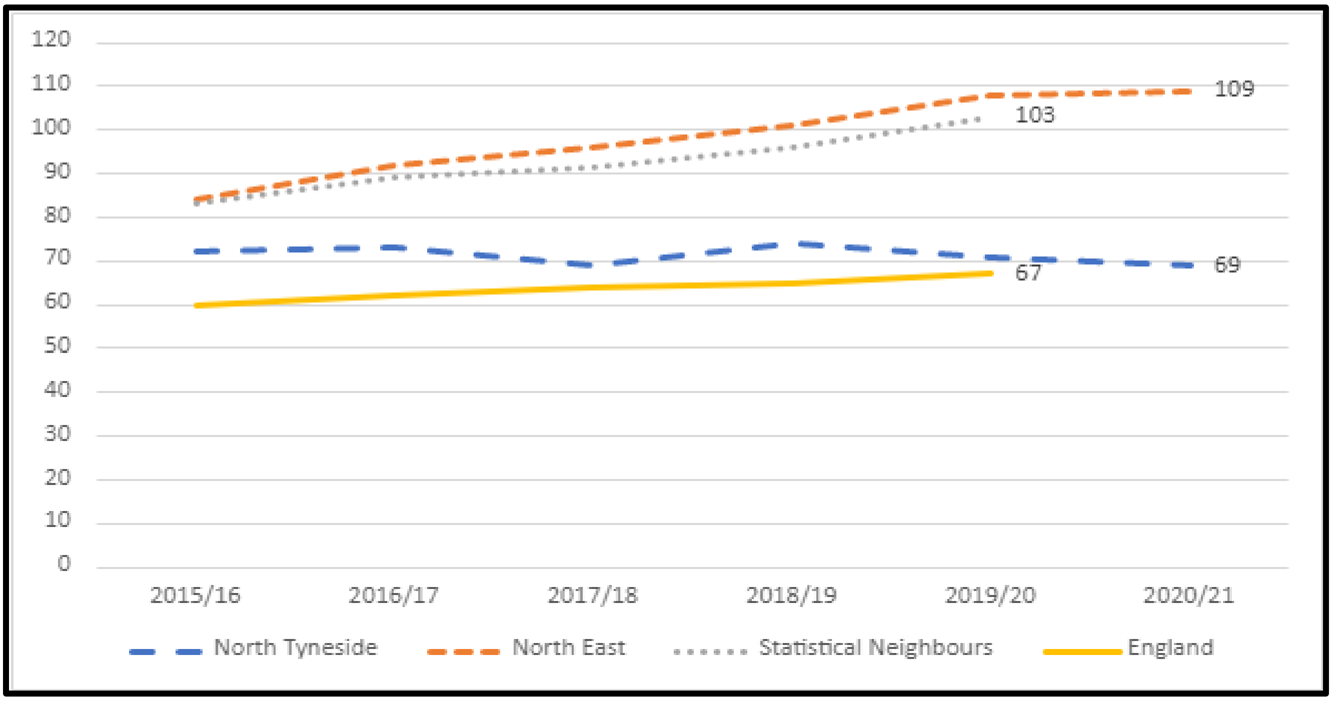
5.2.6 In Children's Services the £6.943m forecast pressure relates mainly to pressures of £5.442m in Corporate Parenting and Placements and £1.629m in Integrated Disability and Additional Needs. The pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies. This position excludes Covid-19 related pressures of £4.141m which have been transferred to Central Items.

5.2.7 The movement in the variance since the July report is mainly due to a net transfer of care costs for children in care to Central Items to be set against Covid grants. Additional Covid related costs were identified as part of a line-by-line review of each individual child's circumstances highlighting Covid related delays to the placement of children and young people in the most appropriate settings for their needs.

5.2.8 North Tyneside Council, unlike many authorities in the region, has managed to maintain the level of children in care at a stable rate during the Pandemic and at a rate which compares favourably with our neighbours.

5.2.9 The most recent available national comparators from 2019/20, as demonstrated by Chart 2 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

5.2.10 **Chart 2: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



5.2.11 Although an amount of £3.116m is held as a contingency budget for children's services within Central Items, the budget within the service for the costs of looking after children who need to come into care is not sufficient for the relatively stable level of children who require these services. The costs for children who are formally not classed as in care but who required costed services also continues, as in previous years, to be significantly above budget. The service is currently undertaking an exercise in conjunction with colleagues in Finance, Performance and HR to identify growth requirements and saving opportunities as part of the ongoing development of the Medium-Term Financial Plan.

Corporate Parenting and Placements

5.2.12 The pressures within Corporate Parenting and Placements can be broken down as follows:

Table 17: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget £m	Variance Sept £m	Variance July £m	Change Since July £m
Care provision – children in care	9.188	2.922	3.189	(0.267)
Care provision – other children	3.147	0.926	0.917	0.009
Management & Legal Fees	(0.948)	0.699	0.808	(0.109)
Social Work	4.369	0.891	0.802	0.089
Safeguarding Operations	0.046	0.004	0.004	0.000
Total	**15.802**	**5.442**	**5.720**	**(0.278)**

5.2.13 The forecast has been developed based on the children in care as at the end of September 2021. The number in care at the end of September was 317 which was a net increase of 16 from the May figure of 301. The September forecast for the total number of care nights is now 109,473, an increase of 5,358 from the July forecast of 104,115, and is now higher than the total number of care nights delivered in 2020/21 which was 108,745.

5.2.14 **Table 18: Forecast cost, forecast variance, average placement cost and Placement mix**

Placement Type	2021/22 Sept Variance	Average Annual Placement cost (£m) *	Forecast Bed Nights Sept	Forecast Bed Nights July	Placement Mix	No. of children Sept 21	No. of children July 21
External Residential Care	1.320	0.275	8,140	8,553	7%	27	28
External Fostering	0.208	0.046	10,313	8,820	10%	26	28
In-House Fostering Service	0.455	0.024	67,915	65,762	62%	193	182
External Supported Accommodation	0.160	0.130	3,953	3,552	4%	17	16
Other*	0.779	various	19,152	17,428	17%	54	47
Total	**2.922**		**109,473**	**104,115**	**100%**	**317**	**301**

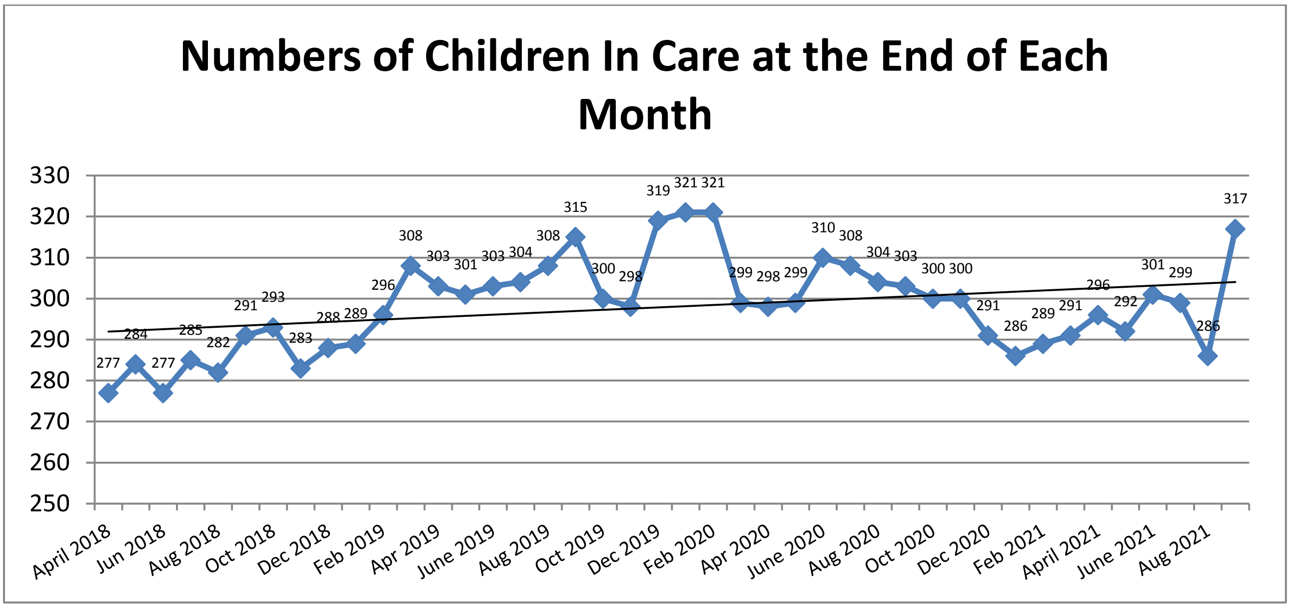
*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes; the Annual Average Placement Cost represents the potential costs for a full year of those children in placements as at 30 September 2021.

5.2.15 The number of children in care can be volatile and costs for individual children can be very high. There is a potential risk that the forecast could increase if numbers of care nights delivered on complex cases starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the potential economic effects of the Covid-19 crisis impact on families.

Care Provision – Children in Care

5.2.16 Over recent years, there has been an increasing trend nationally in demand for children's residential placements but with no corresponding increase in government-funded provision. The trend in North Tyneside over the last few years is that the overall number of children in care has mirrored the increases being felt nationally. There has been an increase in September to 317 children and this trend is being watched carefully.

5.2.17 **Chart 3: Children in Care at the End of Each Month**



Care Provision – Children not in care

5.2.18 The pressure of £0.926m (July variance, £0.917m) relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority's policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £3.116m established in Central Items was, in part, intended to mitigate against these costs.

Management and Legal Fees

5.2.19 This area has a forecast pressure of £0.699m (July variance, pressure of £0.808m). The improvement relates mainly to reduce forecasts around interim management following a successful recruitment process. Pressures remain in relation to historic income targets and legal fees.

Social Work

5.2.20 Within the overall pressure of £5.442m for Corporate Parenting and Placements, there are social work-related pressures of £0.891m (July, £0.802m). Of the £0.891m pressure, £0.656m relates to employee costs with £0.235m relating to non-pay costs. There is an additional team in place of 6 posts costing £0.244m and market supplements across the service amounting to £0.142m. There are s17 assistance costs forecasted above budget level by £0.051m, transport and travel pressures of £0.027m and legal and professional fee pressures of £0.105m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. Caseloads per social worker remain high at just over 20 compared to the national average of 16.3 (for 2020). The additional social work costs within Children's services reflects the commitment not to use agency staff within front line teams.

Integrated Disability and Additional Needs (IDANS)

5.2.21 IDANS is forecasting a pressure of £1.628m (July variance was £1.624m). Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1102 in January 2018 to 2009 in September 2021. Within this service area the main pressures relate to operational staffing costs within in-house residential services of £0.239m and associated unachieved health income target of £0.213m. There are also forecast staffing pressures of £0.276m in Educational Psychology relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There are pressures of £0.670m on externally commissioned short breaks and staffing pressures of £0.195m across the Statutory Assessment and Review Team and the Disability Team.

5.2.22 The IDANS service is continuing to carefully review planned provision to identify any areas of spend which can be reduced without adverse impacts on the children and families receiving support.

Adult Services

5.2.23 Adult Services are forecasted to show a pressure of £0.029m which compares to a forecast pressure of £0.094m in July. This position is after a total of £4.840m of Covid costs are transferred to Central Items to be offset against Covid related grants.

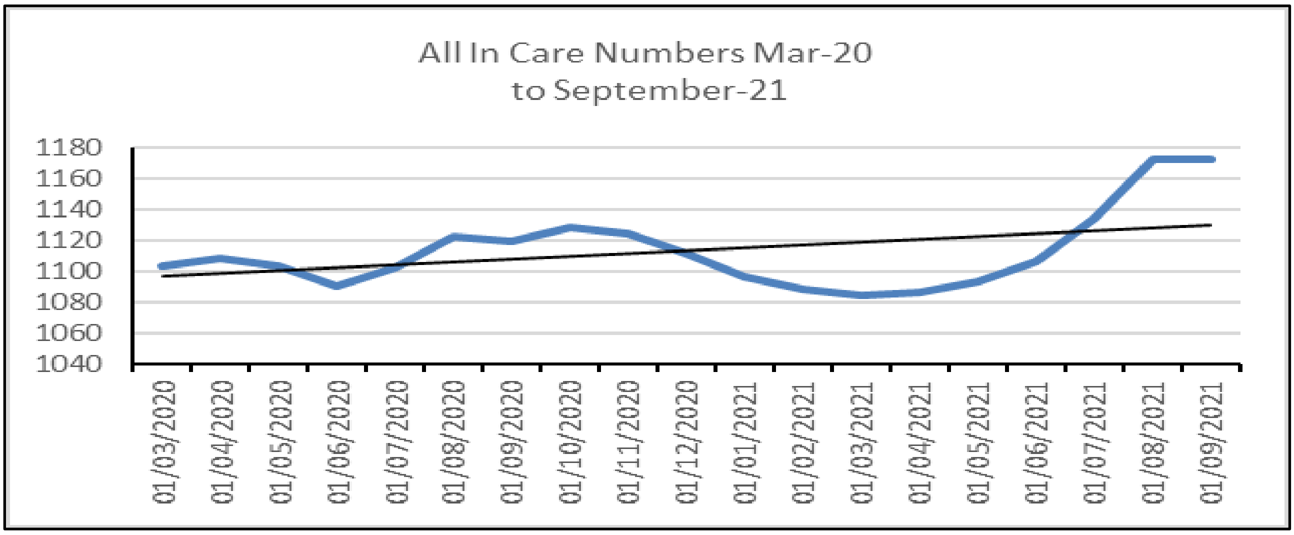
5.2.24 Adult Services continues to be heavily impacted by the Pandemic and other external factors. The lack of capacity in the homecare market reported in July has continued as care providers struggle to recruit and retain staff in a buoyant jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. Hospital discharges have fallen since the July level of around 275 per month to 229 and 222 respectively in August and September but remain higher than pre-Covid-19 levels of approximately 160.

5.2.25 Forecasted costs associated with the operational management of the service are showing an underspend of £0.104m, reduced from the July position of a pressure of £0.094m. The reduction is due to changed assumptions around recruitment into vacancies. Pressures within social work teams are partially offset by an underspend in Integrated Services due to vacancies.

5.2.26 There is a pressure within Commissioned Services – Mental Health due to three new high-cost clients who entered the service in March and April 2021 (£0.940m). There are also pressures due to increased client numbers relating to residential and nursing care within Mental Health.

5.2.27 Forecasted pressures in Commissioned Services – Mental Health are offset by budget surpluses across Commissioned Services in Wellbeing and Assessment and Learning Disabilities. The overall numbers in residential and nursing care continued to rise in August before remaining steady in September.

5.2.28 **Chart 4: Overall Numbers of Clients in Residential and Nursing Care**



5.3 Commissioning and Asset Management

5.3.1 Commissioning and Asset Management (C&AM) is showing a pressure of £1.258m (July, pressure of £0.884m) as set out in Table 19.

5.3.2 C&AM has also been heavily impacted by the Covid-19 Pandemic, particularly in relation to supporting schools and in relation to lost income with details shown in Section 4.

5.3.3 **Table 19: Commissioning and Asset Management (C&AM) Forecast Variation**

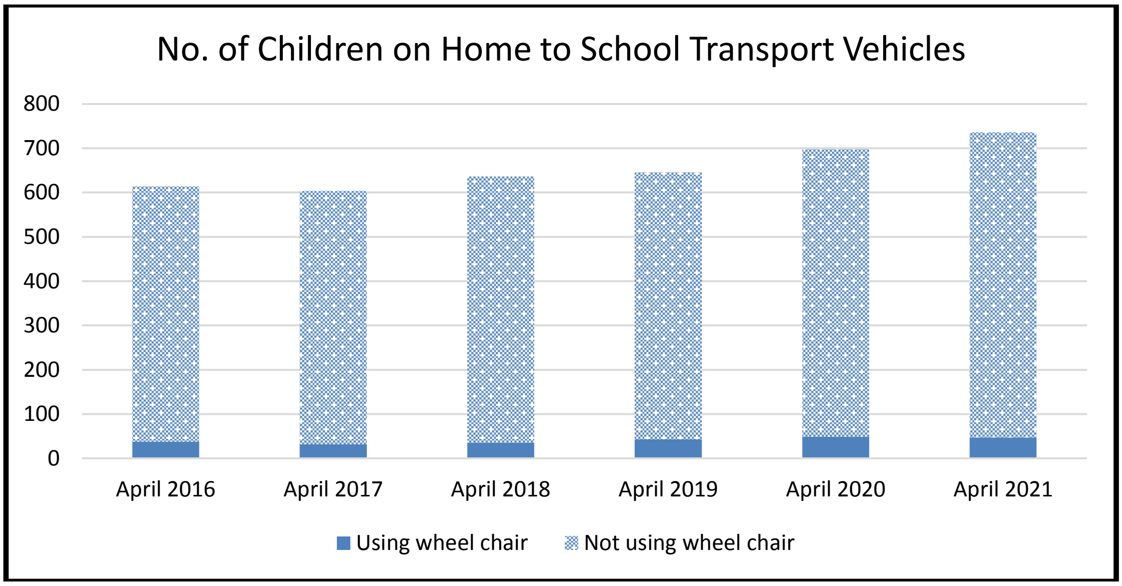
	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
School Funding & Statutory Staff Costs	5.410	5.308	(0.102)	(0.082)	(0.020)
Commissioning Service	0.406	0.417	0.011	0.023	(0.012)
Facilities & Fair Access	0.412	1.681	1.269	0.893	0.376
Community & Voluntary Sector Liaison	0.441	0.406	(0.035)	(0.029)	(0.006)
Strategic Property & Investment	1.918	2.040	0.122	0.080	0.042
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.727)	(0.727)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.161	0.000	(0.001)	0.001
Procurement	(0.008)	(0.015)	(0.007)	0.000	(0.007)
Grand Total	**8.013**	**9.271**	**1.258**	**0.884**	**0.374**

5.3.4 The main ‘business as usual’ budget issues relate to Facilities and Fair Access which is showing forecast pressure of £1.269m (July, forecast pressure of £0.893m). The pressure mainly relates to Home to School Transport which has increased from £0.742m in July to £1.100m in September as additional routes have been added for the new school term. Pressures on the catering service have also risen to £0.182m (July; £0.161m) due to increasing numbers of benefit-based free school meals and the consequential impact on loss of paid income. Inflationary pressures within Catering are also have an impact. There is also a pressure of £0.059m on car parking income in relation to Quadrant.

5.3.5 The Home to School Transport position, a pressure of £1.100m, relates to the sustained and increase in children with complex needs attending special schools. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 6.5 to 6.10 for more details). As a result of the increase in demand for home to school transport for children with additional needs, the number of children in vehicles has risen from 614 in April 2016 to 736 in April 2021 as shown in Chart

5 below. Work is also continuing on route rationalisation using the new QRoute system however the requirement for continued social distancing has limited rationalisation opportunities.

5.3.6 **Chart 5: Increase in Numbers of Children Accessing Home to School Transport**



5.3.7 In addition to Facilities and Fair Access, within Strategic Property and Investment, the repairs and maintenance budget is forecasted to show a pressure of £0.150m due to the cost of essential repairs across the Authority's buildings. This is partially offset by recharges to capital budgets and other savings across this service area.

5.4 <u>Environment, Housing & Leisure (EHL)</u>

5.4.1 EHL is forecasting an underspend of £0.156m against the £44.279m net budget, as set out in Table 20 below. The position includes a planned £0.583m draw-down of reserves for the street-lighting PFI contract and PFI buildings.

5.4.2 The Covid-19 Pandemic continues to impact on EHL mainly in relation to lost income with £3.193m of the £4.360m estimated impact is due to income-generating services being expected to operate at a lower level. This forecast is based on a high-level impact assessment of on-going income modelled on actual operating levels to September, with operations assumed to continue at lower than pre-pandemic levels for the remainder of the financial year.

5.4.3 **Table 20: Forecast Variation in Environment Housing & Leisure**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Cultural Services	6.825	6.879	0.054	0.049	0.005
Local Environmental Services	7.528	7.538	0.010	(0.007)	0.017
Fleet Management	1.123	1.085	(0.038)	(0.038)	0.000
General Fund Housing	1.198	1.268	0.070	0.005	0.065
Head of Service and Resilience	0.245	0.245	0.000	(0.034)	0.034
Security & Community Safety	0.107	0.059	(0.048)	0.036	(0.084)
Sport & Leisure	2.719	2.642	(0.077)	(0.036)	(0.041)
Street Lighting PFI	4.717	4.717	0.000	0.000	0.000
Consumer Protection & Building Control	0.987	0.979	(0.008)	(0.009)	0.001
Planning	0.247	0.247	0.000	0.000	0.000
Transport and Highways	7.187	7.222	0.035	0.035	0.000
Waste	11.396	11.242	(0.154)	(0.037)	(0.117)
GRAND TOTAL	**44.279**	**44.123**	**(0.156)**	**(0.036)**	**(0.120)**

5.4.4 The variance reflects forecast pressures against Cultural Services & General Fund Housing of £0.054m and £0.070m with smaller pressures in Security and Community Safety and General Fund Housing which are mitigated by combined savings forecasted across Fleet Management, Sports & Leisure, Street Environment and Waste & Recycling Disposal. Technical Package budgets are balanced across the contract with Capita.

5.4.5 The following paragraphs outline the pressures in each service area with details of any variances or movement greater than £0.050m.

Sport & Leisure

5.4.6 Sport & Leisure is now expecting to report a forecast underspend of £0.077m which is an improvement of £0.041m from the last reported position. The main causes for the improved forecast underspend are a one off in-year £0.050m refund on water and sewerage costs at Tynemouth Pool, reduced operational activity and savings from vacancies during recruitment processes.

Waste Delivery & Management

5.4.7 Overall, the waste service areas are now expecting to report a forecast underspend of £0.154m which is an improvement of £0.117m from the last reported position. The main causes for the improved forecast underspend due to delays in filling posts, with vacancies being held open longer than previously predicted.

Cultural Services

5.4.8 Cultural Services is forecasting a pressure of £0.054m. The service area has a pressure caused by the expected losses on the Playhouse due to reduced take-up in addition to income shortfalls against budget across other funding streams.

5.5 Regeneration and Economic Development

5.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.174m at September 2021, as shown in Table 21 below.

5.5.2 **Table 21: Forecast Variation for Regeneration and Economic Development**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Business & Enterprise	0.751	0.700	(0.051)	(0.004)	(0.047)
Regeneration	0.445	0.591	0.146	(0.009)	0.155
Resources & Performance	0.203	0.282	0.079	0.076	0.003
Grand Total	**1.399**	**1.573**	**0.174**	**0.063**	**0.111**

5.5.3 The £0.111m adverse change in variance since the last Cabinet report reflects actual unforeseen expenditure being incurred and forecast across the Swan Hunter site following the sale of the development in December 2020, with reduced income (from vacant non-tenanted space) as well as higher premises & external costs at Swans Centre for Innovation.

5.6 Corporate Strategy

5.6.1 Corporate Strategy is forecasting to report a £0.030m pressure. The variance changes from the previous reported position are as a result of improving income forecasts across Policy, Performance & Research, as well as increased staff recharges administering the Holiday Activities and Food Programme which have contributed to reduce the pressure from £0.077m down to £0.030m.

5.6.2 Included within the forecast are assumptions a mix of corporate reserves and Covid-19 grant will be drawn down to meet the employee costs associated with the Customer Service and Covid-19 Recovery Programme posts, mitigating the impact of the income target pressure.

5.6.3 **Table 22: Forecast Variation Corporate Strategy**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Children's Participation & Advocacy	0.258	0.243	(0.015)	(0.005)	(0.010)
Corporate Strategy Management	0.006	0.147	0.141	0.102	0.039
Elected Mayor & Executive Support	0.018	0.026	0.008	0.007	0.001
Marketing	0.289	0.245	(0.044)	(0.002)	(0.042)
Policy Performance and Research	0.140	0.080	(0.060)	(0.025)	(0.035)
Grand Total	0.711	0.741	0.030	0.077	(0.047)

5.7 <u>Resources and Chief Executive Office</u>

5.7.1 Overall Resources and Chief Executive Office are currently forecasting a joint pressure of £0.486m.

5.7.2 **Table 23: Forecast Variation Resources and Chief Executive**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Chief Executive	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Finance	0.002	0.378	0.376	0.228	0.148
ICT	0.538	0.539	0.001	0.140	(0.139)
Human Resources	2.876	3.016	0.140	0.001	0.139
Grand Total	**3.338**	**3.824**	**0.486**	**0.338**	**0.148**

5.7.3 Within the Finance service there continues to be forecast pressures due to the impact of funding managed by the Revenues and Benefits service, an increased pressure of £0.148m since the July report. This is due mainly to the full case reviews, which are currently being undertaken and are expected to continue. The full pressure for Revenues & Benefits is made up of:

- Subsidy reporting an overall pressure of £0.176m, which has increased from an underspend of £0.058m, due to eligible overpayments for which the Authority only receives 40% from the Department of Work and Pensions. The payments to Private and Council Tenants are starting to show a levelling out trend based on data for the last 12 weeks.
- Overpayment income is now showing a reduced pressure of £0.075m compared to £0.240m the previous month, due to the additional overpayment income generated during the full case reviews.

- The Bad Debt Provision is showing a pressure of £0.275m, which is an increase from £0.197m last month due to the additional overpayment income raised.
- Enforcement income is currently forecasted to be in line with budget and will be updated on a monthly basis using the cost of collection statistics.

These forecasts are being carefully managed by the service management and will continue to be refined as the year progresses.

5.7.4 The Finance service is forecasting staffing savings across nearly all teams which mitigates these pressures. These staffing savings are a mix of vacancy savings and additional funding where the service area supports external organisations such as North of Tyne Combined Authority.

5.7.5 There is a pressure within ICT as a result of the transfer of Education ICT income targets with a forecast £0.140m shortfall in SLA income within the service.

5.7.6 The remaining service areas within Resources are all forecasting small underspends for the year.

5.7.7 The Chief Executive's office is showing a saving of £0.031m, due to forecast savings in staffing and other operational spend.

5.8 Law and Governance

5.8.1 Law and Governance is forecasting a £0.485m pressure. This variance reflects forecasted cost pressures in Legal Services of £0.288m relating to the employment of Locums and other staff costs and £0.175m pressure for delivering North Tyneside Coroner services.

5.8.2 **Table 24: Forecast Variation for Law and Governance**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Customer, Governance & Registration	(0.071)	(0.041)	0.030	0.033	(0.003)
Democratic and Electoral Services	0.031	0.098	0.067	0.094	(0.027)
Information Governance	0.159	0.084	(0.075)	(0.068)	(0.007)
Legal Services	(0.105)	0.183	0.288	0.251	0.037
North Tyneside Coroner	0.294	0.469	0.175	0.108	0.067
Grand Total	**0.308**	**0.793**	**0.485**	**0.418**	**0.067**

5.8.3 The variance change compared from the last reported forecast to Cabinet is due to higher forecast expenditure delivering North Tyneside Coroners service demands (£0.046m; Body Storage & Post Mortem charges), together with increased operational expenditure forecast across the service (£0.022m; varied cross service costs).

5.9 Central Items

5.9.1 Central Items is forecasted to be in surplus by £7.448m, an improvement of £0.236m from the July report. The surplus figure of £7.448m includes the contingency budgets of £5.404m of which £3.116m of that budget provision relates to the pressure being experienced in Children's Services. The other main areas impacting the position are summarised below:

- Strain on the fund savings of £1.074m, due to minimum in-year costs anticipated this financial year. This saving has reduced by £0.314m since the July report;
- Minimum revenue provision savings of £0.550m, an improvement of £0.200m since the July report; and,
- Interest savings on borrowing of £0.500 (July, £0.150m), both of these arising from re-profiling of the Investment Programme and use of cash balances to minimise borrowing.

5.9.2 Corporate and Democratic Core may see savings in 2021/22 due to anticipated pressures not being seen to materialise to date and the costs of pensions out of revenue but is prudently forecasted to be balanced at this stage in the year. This may reduce across the rest of the year and provide some sustainable savings.

5.9.3 **Table 25: Forecast Variation Central Budgets and Contingencies**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Corporate & Democratic Core	4.315	4.315	0.000	0.000	0.000
Other Central Items	(6.366)	(13.814)	(7.448)	(7.212)	(0.236)
Grand Total	**(2.051)**	**(9.499)**	**(7.448)**	**(7.212)**	**(0.236)**

SECTION 6 - SCHOOLS FINANCE

Update on School Budgets

6.1 There is no update on school finances since the position reported previously to cabinet. A report of this update will be presented to cabinet in the next finance report.

National Funding Formula Consultation for 2022/23

6.2 The method for allocating funding to schools is still set by a local funding formula (LFF), though DfE are considering making their national funding formula (NFF) mandatory in the future. For 2021/22, North Tyneside have agreed with Schools Forum to adopt the NFF factors in their LFF.

6.3 For 2022/23 the Authority will ask Schools Forum to consider modelling a potential option to transfer the maximum funding from Schools Block to High Needs. Guidance states that a local authority can transfer up to 0.5% with agreement from the local Schools Forum. This would amount to approximately £0.700m on indicative grant values. If the Schools Forum do not agree to the transfer, the local authority can ask the Secretary of State to approve the transfer, although this is usually only agreed by exception.

6.4 Modelling scenarios will be presented to schools during October/November. The preferred model will then be confirmed with Schools Forum in November then taken to Cabinet for final agreement as part of the Authority's budget setting process.

High Needs Block

6.5 Cabinet will recall from the previous finance report that the High Needs block of the Dedicated Schools Grant (DSG) was anticipating an in-year pressure of £3.491m in July, which would raise the cumulative pressure on the block to £12.291m.

6.6 The forecast for the High Needs Block at September 2021 is now an anticipated in-year pressure of £3.673m reflecting a further rise in demand for special school places within the Authority. A breakdown of the in-year pressure is shown in Table 26.

6.7 **Table 26: Breakdown of High Needs Pressures at September 2021**

Provision	Budget £m	Forecast Variance September £m	Comment
Special schools and PRU	15.520	2.050	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.120	0.825	Pressures in pre 16 top ups e.g. Norham ARP
Out of Borough	2.890	0.737	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.888	0.061	
Subtotal	**26.418**	**3.673**	
2020/21 Balance		8.720	
Adjustment		0.160	
Subtotal	**26.418**	**12.553**	

High Needs Recovery Plan

6.8 As previously noted, North Tyneside is an outlier in terms of the total number of Education Health and Care Plans (EHCPs) currently maintained. The most recent figures (January 2021) suggest that the Authority is around 1% above the national average in terms of whole population which equates to around 500 more plans than would be seen to be typical. The Authority also has a significantly higher proportion of children in specialist provision than the England average (40.6% compared with 35.8%). Conversely, the proportion of children in mainstream schools is much lower than the England average (32% compared with 39.9%). These factors are the main contributors to the pressures on the High Needs Block. They also have a significant impact on all the services that work with our children and young people with additional needs.

6.9 A proposed High Needs Recovery Plan was shared with the Education Skills and Funding Agency (ESFA) in August. The Authority is awaiting formal feedback on this proposal. In the meantime, an officer working group has continued to develop appropriate workstreams to take action and reduce the pressure on the High Needs Block. The programme of work to reduce pressures on the High Needs Block will need significant time and committed resource to ensure delivery in line with our ambition. In addition, there is ongoing consultation and engagement with Schools Forum and North Tyneside head teachers around the recovery plan and how best to use the Authority's resources. A new senior officer Strategic Education & Inclusion Programme Board has been established to provide the governance and oversight for this work.

6.10 As noted previously, the themes of the recovery plan link clearly to our SEND Inclusion Strategy and our Ambition for Education Strategy:

- Improved SEND Graduated Approach to support more young people to have success in their local school;
- Review of commissioned services with a focus on maintaining young people in their local school;
- Annual EHCP reviews are focussed, timely and include 'value for money';
- The banding and mechanisms the Authority uses to fund schools are brought in line with our graduation aspirations;
- Use of capital funding to address issues around capacity;
- More effective place planning to ensure that there are sufficient resources in place; and,
- Working with our partners and stakeholders across education, health and care.

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 27 below is based on the results to September 2021. Currently the HRA is forecasting an underspend of £0.381m, which includes £0.016m of Covid-19 related costs (see Table 28). Throughout the year, costs will be monitored closely across all areas with additional focus on Rent Arrears and the effect this has on the bad debt provision. In addition, changes to prudent assumptions around rental income, Council Tax voids, Contingency and staffing vacancies will be monitored which could lead to improvements in the forecast position.

7.2 **Table 27: Forecast Variance Housing Revenue Account**

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.520	2.482	(0.038)
Management – Operations	4.767	4.737	(0.030)
Management – Strategy & Support	3.588	3.610	0.022
Capital Charges – Net Effect	12.969	12.969	0.000
Contingencies, Bad Debt & Transitional Protection	1.280	0.793	(0.487)
Contribution to Major Repairs Reserve – Depreciation	13.276	13.276	0.000
Interest on Balances	(0.050)	(0.050)	0.000
PFI Contracts – Net Effect	2.043	2.343	0.300
Rental Income - Dwellings, Direct Access Units, Garages	(60.995)	(61.091)	(0.096)
Rental Income – HRA Shops and Offices	(0.356)	(0.403)	(0.047)
Revenue Support to Capital Programme	10.551	10.551	0.000
Repairs	12.350	12.345	(0.005)
Total	**1.943**	**1.562**	**(0.381)**

7.3 The Covid-19 costs for HRA relate to unproductive workforce costs, as can be seen in Table 28 below.

7.4 **Table 28: Forecast Impact of Covid-19 on HRA for 2021/22**

Service Area	Covid Cost Pressure £m	Covid Income Pressure £m	Total Covid Pressure £m	Description
HRA – Workforce	0.016	0.000	0.016	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
Total	**0.016**	**0.000**	**0.016**	

Rental Income

7.5 There have been some small trending improvements in different elements of Rental Income which have led to the previous on budget forecast increasing to an overall forecast underspend of (£0.143m). This is made up of improvements in General Needs Income (£0.005m); Service Charge Income (£0.057m); Garage Rents (£0.034m); and rental income from other properties (£0.047m). This improving position will be monitored closely to see if there could be any further shift in the forecast during the second half of the year.

Bad Debt Provision and Management Contingency

7.6 Main changes in the forecast relate to the Bad Debt Provision, as Arrears continue to rise but at a much slower rate than anticipated this will result in a forecast £0.301m underspend in-year. In addition, the Management Contingency is forecast to be significantly underspent (£0.186m), which accounts for the overall £0.487m underspend in this area.

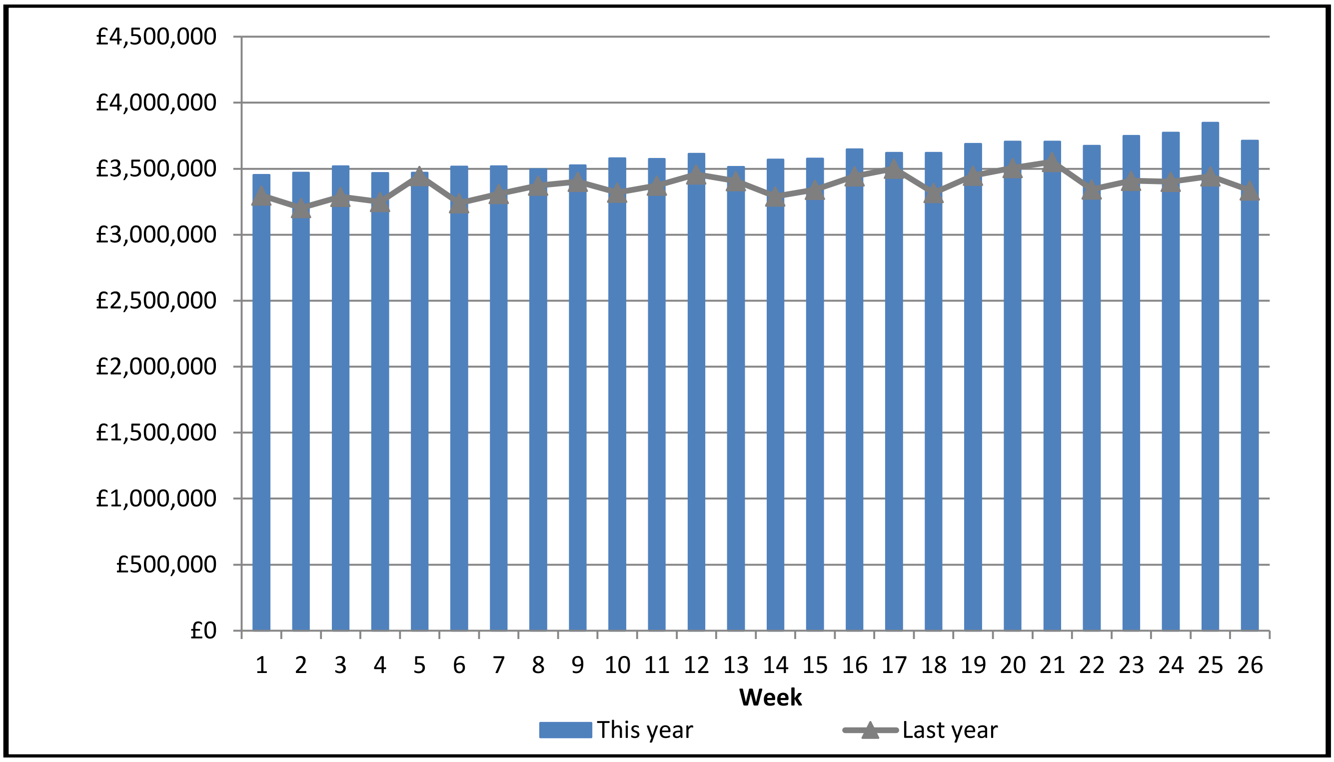
PFI Contract Costs

7.7 Following the precedent set in the previous two years because of the forecast overall improved position relating mainly to the Bad Debt Provision, the Authority is proposing to make an additional in-year contribution to the North Tyneside Living PFI Reserve (£0.300m), in order to bring the position back in line with the financial model more quickly, following a number of Use of Reserves decisions which borrowed over £4.000m from the Reserve, namely purchase of the HPC Fleet and the one-off £1.5m Settlement Agreement signed with the PFI Construction Contractor.

Rent Arrears

7.8 The impact of rent arrears has risen in the first six months of 2021/22 as compared to 2020/21, however the rate of increase during the first six months is slower than originally forecast, with current arrears increasing by around £0.260m during the period since the start of April 2021. Chart 5 below shows the value of current rent arrears in 2021/22 compared to the same period in 2020/21. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. Last year saw a significant underspend against the bad debt provision, which had overspent for the previous two years. Based on the current rate of increase in arrears and the anticipated amount of bad debt to be written off has led to the underspend declared above. This will also be considered in relation to the refresh of the HRA Business Plan which forms the basis of the budget proposals being considered by this meeting of Cabinet. The impact of Universal Credit (UC) continues to be monitored, as significant increases in numbers on UC could adversely affect the rate at which arrears grow.

7.9 **Chart 6: Rent Arrears in Weeks 1-26 (April-Sept) 2021/22 compared to 2020/21**

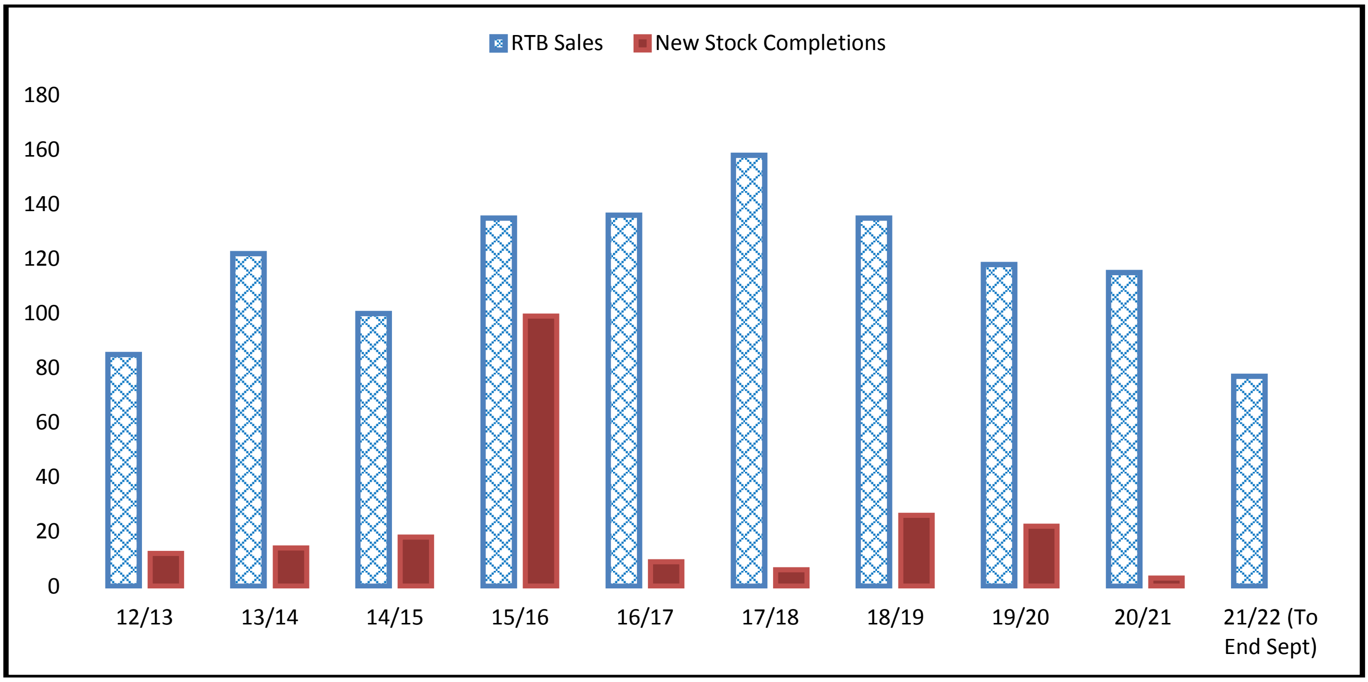


7.10 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 31 March 2021 there were 3,306 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.689m. By the end of September 2021 there were 3,505 tenants on Universal Credit (increase of 199 tenants) with related arrears of £2.804m (increase of £0.115m). These figures seem to bear out the reduced rate of increase in arrears mentioned above.

Right to Buy (RTB) Trends

7.11 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 7 below shows the trend in RTB sales since that time. There has been an upturn in sales in 2021-22, as 77 properties were sold in the first quarter compared to 54 at the same stage last year.

7.12 **Chart 7: Yearly RTB Sales v New Stock Additions**



SECTION 8 - INVESTMENT PLAN

8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers continue to plan the delivery of those key projects included within the 2021/22 Investment Plan and regularly review the impact of Covid-19.

8.2 There is currently an emerging risk around the supply of materials and increased cost that could impact the works and services the Authority delivers. This is a national issue with material supply not being able to keep pace with delivery programmes alongside a range of rising costs. Work is on-going with both material suppliers and the wider supply chain to understand how significant these impacts could be on the delivery and cost of works and services during this year. Specific areas of concern are around the supply and costs of all steel based and softwood products, along with growing concerns around the supply of cement and glazing. A risk register around material supply is currently being developed to monitor the likelihood and impact of these risks materialising, however it looks increasing likely that the Authority will have some supply issues and increased costs that will impact our works and services over the coming months. This will be reported through the bi-monthly monitoring reports to Cabinet.

8.3 Some of the key highlights of the Investment Plan due to be delivered during 2021/22 are summarised below:

Affordable Homes New Build and Conversion Works

8.4 There are currently 4 affordable home projects that will progress during 2021/22, these include:

- The construction of 12 new affordable homes on the former site of the Cedars, North Shields;
- The construction of 9 new affordable homes on the former site of Bawtry Court, Battlehill;
- Refurbishment and remodelling works to create 7 new affordable units at Charlotte Street, Wallsend; and,
- Convert a Brownfield garage site in Falmouth Road, into 9 new affordable homes.

Housing Investment Work

8.5 The Housing Capital delivery programme will see the following works delivered across the borough during 2021/22:

- Kitchens and bathrooms to 678 homes;
- Heating upgrades to 600 homes;
- Window and doors replacements to 30 homes;
- Boundary improvements to 830 homes;
- Roof replacements to 227 homes;
- External Brickwork Repairs to 223 homes;
- Damp Proof Course restoration works to 26 homes;
- Footpath repairs throughout the borough; and,
- Fire door replacement to 55 communal blocks.

Education Investment Works

8.6 Delivery of the priority condition related projects across the school estate as part of the Schools Condition Investment Programme

Asset Investment works

8.7 Delivery of the priority condition related projects across the asset property estate as part of the Asset Condition Investment Programme

Highways and Infrastructure Works

8.8 The main Highways & Infrastructure works include:

- Delivery of the LTP including the annual resurfacing programme and integrated transport projects. Larger projects are the construction phase of the Pier Road stabilisation scheme the demolition of Borough Road Bridge;
- Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities; and,
- Progression of the Tanners Bank highway improvement scheme at various junctions in North Shields.

Regeneration Works

8.9 Regeneration Works for 2021/22 include:

- North Shields – continuation of works for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street and initial works for the transport hub;
- Segedunum – completion of the project initiation document to enable the development of proposals and a strategy to secure match funding;
- Work is ongoing examining the potential options for the enhancement of the facilities at Killingworth Lake; and,
- Development of outline scope for the Waggonways project.

Variations to the 2021-2026 Investment Plan

8.10 Variations of £10.470m and reprogramming of £0.637m to the Investment Plan have been identified and are included in tables 29 and 30 below. Further details are provided in paragraph 8.11.

8.10.1 **Table 29: 2021 - 2026 Investment Plan changes identified**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan – Council 18 February 2021	**68.611**	**43.305**	**42.858**	**90.796**	**245.570**
Previously Approved Reprogramming/Variations					
2020/21 Monitoring	11.398	0.000	0.000	0.000	11.398
2020/21 Outturn	13.497	0.000	0.000	0.000	13.497
2021/22 August Cabinet	5.087	0.237	0.000	0.000	5.324
2021/22 September Cabinet	(10.480)	8.446	2.886	1.500	2.352
Approved Investment Plan	**88.113**	**51.988**	**45.744**	**92.296**	**278.141**
Aug/Sep 21 Monitoring					
Variations	6.155	1.475	2.650	0.190	10.470
Reprogramming	(0.637)	0.637	0.000	0.000	0.000
Total Variations	**5.518**	**2.112**	**2.650**	**0.190**	**10.470**
Revised Investment Plan	**93.631**	**54.100**	**48.394**	**92.486**	**288.611**

8.11 Details of the main variations are shown below:

(a) **BS030 Public Sector Decarbonisation (Low Carbon Skills) £0.450m** – Alongside the tender process for the main works the Project Team took the opportunity to also include some additional essential mechanical works required at Waves Pool which were outside of the SALIX funding arrangements but had been included as a priority project within the 2021/22 Asset Planned Maintenance Programme. The associated Asset Planned Maintenance Funding for this element of additional works is £0.350k is to be included in this project. Also following the return of all tenders, a detailed value engineering exercise was carried out by the Project Team to ensure that the Authority was getting value for money on all aspects of the project and to ensure the four projects could be delivered with the available funding, this identified a shortfall of £0.100m which has been requested to be funded from Project EV091 Other Initiatives Climate Change;

(b) **BS026 Asset Planned Maintenance £0.350m credit** – See (a) above;

(c) **EV091 Other Initiatives Climate Change £0.100m credit** – See (a) above;

(d) **DV067 Northern Promenade £0.150m** – Officers have now concluded the formal tender process for this project which has resulted in receiving tenders for £0.950m (£0.150m above the current £0.800m budget). The additional costs are a direct result of inflation, market conditions and covid risks arising from the pandemic. Cabinet is requested to approve the allocation of £0.150m from the contingencies budget to support the delivery of the Northern Promenade Project;

(e) **GEN03 Contingencies £0.150m credit** – See (d) above;

(f) **DV077 Tyne Brand Development Site £4.340m -** Funding from the North of Tyne Combined Authority's Brownfields Housing Fund has been secured for the former Tyne Brand Site. It will provide for the commissioning of professional surveys, land acquisition and remediation of the land. This will facilitate the construction of at least 114 new homes. The new development is a key site within the North Shields Master Plan and will improve the built environment at one of the access points to the Fish Quay. Its successful development would complete the transformation of this economically important area and open the area immediately adjacent to much wider development potential;

(g) **DV074 Heritage Action Zone £0.590m** – Two additional grants have been awarded from Historic England's Heritage Action Zone fund. The first £0.300m towards Howard Street Public Realm works and £0.290m towards works at the Saville Exchange;

(h) **DV064 Council Property Investment £1.300m -** The Authority has been successful in bidding for North of Tyne Brownfield Funding in relation to the demolition and remediation of the site;

(i) **EV034 Local Transport Plan £1.000m** – As part of the 2021/22 capital allocations from central government the annual maintenance block grant was unexpectedly reduced. Alongside this £1.253m of Pothole funding was awarded. It is recommended that £1.000m of the pothole funding be used to alleviate the grant reduction in the LTP. The allocation of the remaining £0.253m is still to be determined; and,

(j) **EV094 Transforming Cities Tranche 2 £3.240m** – The North East Transport Committee has agreed advanced funding for the North Shields Transport Interchange.

8.12 In addition to the variations reported, there has been £0.637m reprogramming identified. The reprogramming is reflected in the following projects:

(a) **GEN03 Contingencies £0.500m** – Funding is to be reprogrammed into 2022/23 as it is not required in 2021/22; and,

(b) **EV096 Tanners Bank £0.137m –** In order to ensure the highways works are coordinated with North Shields regeneration work.

8.13 The impact of the above changes on capital financing is shown in table 30 below.

8.13.1 **Table 30: Impact of variations on Capital financing**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan	**88.113**	**51.988**	**45.744**	**92.296**	**278.141**
Council Contribution	(0.500)	0.500	0.000	0.000	0.000
Grants and Contributions	6.018	1.612	2.650	0.190	10.470
Total Financing Variations	**5.518**	**2.112**	**2.650**	**0.190**	**10.470**
Revised Investment Plan	**93.631**	**54.100**	**48.394**	**92.486**	**288.611**

Capital Receipts – General Fund

8.14 General Fund Capital Receipts brought forward at 1 April 2021 were £2.583m. The capital receipts requirement for 2021/22, approved by Council in February 2021, was £0.423m (2021-26 £0.677m). There was reprogramming of capital receipts from 2020/21 of £0.342m giving a revised requirement of £0.765m for 2021/22 (2021-26 £1.019m). To date £0.100m useable capital receipts have been received in 2021/22, that are to be used to repay debt. In addition, £4.125m has been received from Aurora to repay loans. The receipts position is shown in table 31 below.

8.14.1 **Table 31: Capital Receipt Requirement – General Fund**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	2021-26 Total £m
Requirement reported to 8 February 2021 Council	0.423	0.254	0	0	0.677
Reprogramming 2020/21 Outturn	0.342	0	0	0	0.342
Revised Requirement	**0.765**	**0.254**	**0**	**0**	**1.019**
Receipts Brought Forward	(2.583)	(1.818)	(1.564)	(1.564)	(2.583)
Total Receipts received 2021/22	(4.225)	0	0	0	(4.225)
Receipts used to repay capital loans	4.125	0	0	0	4.125
Receipts used to repay debt	0.100				0.100
Net Useable Receipts	**0**	**0**	**0**	**0**	**0**
Surplus Receipts	**(1.818)**	**(1.564)**	**(1.564)**	**(1.564)**	**(1.564)**

Capital receipts – Housing Revenue Account

8.15 Housing Capital Receipts brought forward on 1 April 2021 were £8.263m. The housing receipts are committed against projects included in the 2021-2026

Investment Plan. The approved Capital Receipt requirement for 2021/22 was £0.750m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £2.047m. To date, receipts of £4.335m have been received in 2021/22. Previously pooling of receipts was paid quarterly to Central Government but the requirement has changed to an annual pooling payment. Therefore, subject to future pooling, this leaves a surplus balance of £10.551m to be carried forward to fund future years.

8.15.1 **Table 32: Capital Receipt Requirement - Housing Revenue Account**

	2021/22 £m	**2022/23 £m**	**2023/24 £m**	**2024-26 £m**	**2021-26 £m**
Requirement reported to February 2021 Council	0.750	1.886	2.871	5.673	11.180
Reprogramming 2020/21 Outturn	1.124	0.000	0.000	0.000	1.124
Variations August 21 Cabinet	0.173	0.000	0.000	0.000	0.173
Revised Requirement	**2.047**	**1.886**	**2.871**	**5.673**	**12.477**
Receipts Brought Forward	(8.263)	(10.551)	(8.665)	(5.794)	(8.263)
Receipts Received 2021/22	(4.335)	0.000	0.000	0.000	(4.335)
Receipts Pooled Central Government	0.000	0.000	0.000	0.000	0.000
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(10.551)**	**(8.665)**	**(5.794)**	**(0.121)**	**(0.121)**

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2021/22.

Investment Plan Monitoring Position to 30 September 2021

8.16 Actual expenditure for 2021/22 in the General Ledger was £20.715m; 22.12% of the total revised Investment Plan at 30 September 2021. This is after adjusting for £0.060m of accruals relating to 2020/21 expenditure.

8.16.1 **Table 33: Total Investment Plan Budget & Expenditure to 30 September 2021**

	2021/22 Revised Investment Plan £m	**Actual Spend to 30 Sept 2021 £m**	**Spend as % of revised Investment Plan %**
General Fund	61.884	11.095	17.93%
Housing	31.747	9.620	30.30%
TOTAL	**93.631**	**20.715**	**22.12%**

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

9.1 The Authority's current available cash balance as at the end of September 2021 is £47.258m, with £25.000m invested externally with other UK Local Authorities. All investments are made in line with the approved Treasury Management Strategy.

9.2 **Table 34: Investment Position as at 30/09/2021**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	40.000	01 Oct 2021
Barclays	Call	2.258	n/a
Lloyds Bank	Call	5.000	n/a
Inter – LA	Fixed	25.000	30 Aug 2022*

**This is the last maturity of this tranche.*

9.3 Due to the continued low interest rate environment the strategy will remain to repay maturing debt.

Short-term cash investment rates remain at all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. Forecast investment income for the FY 2021/22 excluding DMO investment is anticipated to be £0.081m.

9.4 The approach of maintaining low cash balances has been part of the strategy for a number of years and has generated substantial savings year on year. The government's Debt Management Office (DMO) have been paying on average 0.01% into the quarter ending Sept 2021, taking into account CHAPS transfers fees and principal invested, it can cost the Authority to invest surplus cash. Therefore, the Authority is investing longer to reduce transactional costs as well as maximise returns. The temporary borrowing market is currently very liquid with significant cash available at very low rates. A summary of rates available is shown in table 35 below. PWLB rates also continue to remain low due to the low Gilt yields, which they are tracked against.

9.5 **Table 35: Summary of Borrowing Levels**

Temporary Market		PWLB	
Tenor	**Level**	**Tenor**	**Level**
1 week	0.01%	2 years	1.36%
1 month	0.01%	5 years	1.65%
3 months	0.01%	10 years	2.06%
6 months	0.04%	20 years	2.42%
9 months	0.05%	30 years	2.43%
12 months	0.07%	50 years	2.23%

**Please note interest rates are as 07 Oct 2021*
PWLB rates do not include certainty rate reductions,

9.6 Any shortfalls in cashflow are covered by in year temporary borrowing, which is a quick and cost-effective method of cash management in the current situation.

Borrowing Position

9.7 Table 36 shows the Authority's current debt position, the current total borrowing maturing in 2021/22 of £5.000m.
The final temporary borrowing loan maturing on the 1st Oct 2021

Table 36: Current Debt Position

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	377.443	20.000	5.000	402.443
Debt Maturing 2021/22	0.000	0.000	5.000	5.000

Covid-19 Impact on Cash

9.8 The Authority continues to remain relatively liquid and has done throughout the pandemic, the drawdown of £25.000m of PWLB in March 2020 as well as several large front loaded COVID grants have bolstered the Authority's cashflow position. The Authority has taken a prudent and cautious approach to new borrowing and has repaid debt as its matured without the need to take on new borrowing.

However, this position may unwind in future years as the impact of COVID reverses and enabled the Authority to return to business as usual.

There remains uncertainty around future interest rates. Rates remain at historical lows; therefore, the risk is on the upside to interest rates.

The Authority has not taken any new borrowing since March 2020 and the Authority has repaid all outstanding temporary borrowing.

The Authority remains under-borrowed to the amount of £95.166m.

There is also the added uncertainty of unspent COVID grants requiring to be paid back to central government. There continues to be a programme to distribute COVID grants however the unspent amounts will not be known until COVID support measures are withdrawn fully.

Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21

9.9 In line with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) a Treasury Management mid-year report detailing the requirements as laid out within the Code are set out and addressed in Appendix 3.

SECTION 10 – COLLECTION FUND: COUNCIL TAX AND BUSINESS RATES RECOVERY

Council Tax and Business Rates Collection

10.1 The budgeted Council Tax debit for 2021/2022 is £118.315m, of which the retained share for the Authority is £104.330m. For Business Rates (NNDR) the opening net debit for 2021/2022 is £27.417m, following adjustment for the previous year's deficit position on NNDR, the budget retained share for the Authority for 2020/21 is £13.449m. Business Rates income is supplemented by a top up grant from Government of £20.505m, providing an anticipated combined budgeted income from Business Rates to the Authority of £33.954m. Tables below set out the in-year collection performance against the Council Tax and Business Rates net debit.

10.2 As at 30 September 2021, the actual current year Council Tax net liability has increased to £120.774m. The Authority has collected £63.670m (52.7%) compared to £60.867m (52.6%) at the same point in 2020/21. Further details are shown in table 37 below.

10.3 Collection is slightly ahead of 2020/21 but behind against the percentage collected in 2019/20 at the same point. All working age Council Tax Support claimants received additional support of up to £150.00 again this year to help pay their Council Tax and this meant around 58% had no liability for 2021/22 to pay. This reduced the liability to collect by around £1.500m. More households have moved onto 12 monthly instalments rather than 10 as households feel the challenge of meeting household bills and there are now 35,457 households (35.4%) paying over 12 months. However long-term rate of collection is expected to be maintained at the budgeted level of 98.5%.

Table 37: Council Tax Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Dwellings administered	95,874	96,428	97,123	98,199	99,315	99,795	100,245
In year collection £m	44.477	49.574	52.751	55.923	59.009	60.867	63.670
In year %	52.39	55.19	54.7	53.8	53.4	52.6	52.7
Target %	53.19	52.39	55.0	55.0	55.0	55.0	55.0

10.4 In relation to Business rates, as at 30 September 2021, the Authority had collected £24.761m (47.0%) of the current net liability of £52.691m compared to £16.908m (53.0%) at the same point in 2020/21. The reduced liability and the amount being collected to date are reflective of the increased reliefs being offered by Government as a result of Covid-19. Further details are shown in table 38 below.

Table 38: Business Rates Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Properties administered	5,464	5,564	5,618	6,031	6,046	6,190	6,218
In year collection £m	35.783	35.770	35.564	34.780	34.828	16.908	24.761
In year %	59.1	57.0	58.7	57.4	57.6	53.0	47.0
Target %	57.7	59.1	56.5	56.5	56.5	56.5	56.5

SECTION 11 – SUPPORT TO RESIDENTS

11.1 Section 4 looks specifically at the Covid-19 grants the Authority has received and provides a snapshot of the position as at 30 September 2021. As the Authority transitions from recovery to building a better North Tyneside, this section will look in more detail at the support the Authority has been able to offer to its residents, how it has utilised the funding provided by Government and how it has also put forward funding of its own to keep the most vulnerable in the Borough safe and supported during the pandemic.

11.2 From the start of the pandemic, the Government has provided the Authority with £7.841m of Covid-19 grants aimed at supporting Residents, a further £4.110m of grant funding has been supplied to the Authority to support Residents during the recovery from Covid-19 during 2021/22. Cabinet created the Poverty Intervention Fund in 2020/21, allocating £1.000m to support its most vulnerable Residents. In total £13.305m has been earmarked to supporting Residents. Table 39 breaks down this funding in more detail.

Table 39: Funding to Support Residents

Name of Grant / Source	Amount Awarded £m	Expenditure (Inception to Date) £m	Amount Committed £m	Amount Available £m
Covid-19 Grants				
Test & Trace Grant	(1.140)	0.795	0.345	0.000
Test & Trace Support Payments	(1.535)	1.058	0.477	0.000
Hardship Grant 2020/21	(2.024)	1.734	0.290	0.000
Emergency Assistance Grant	(0.256)	0.200	0.056	0.000
Practical Support Framework	(0.354)	0.010	0.344	0.000
Clinically Extremely Vulnerable	(0.705)	0.284	0.421	0.000
Winter Grant	(0.845)	0.845	0.000	0.000
Rapid Testing in the Community	(0.225)	0.284	(0.059)	0.000
Local Support Grant	(0.756)	0.986	(0.230)	0.000

Name of Grant / Source	Amount Awarded £m	Expenditure (Inception to Date) £m	Amount Committed £m	Amount Available £m
Other Government Funding				
Hardship Fund 2021/22	(2.066)	1.918	0.148	0.000
Holiday Activities & Food Programme	(0.789)	0.556	0.233	0.000
Household Support Grant	(1.610)	0.000	1.610	0.000
Authority Support				
Poverty Intervention Fund	(1.000)	0.282	0.718	0.000
Total	**(13.305)**	**8.952**	**4.353**	**0.000**

11.3 The £8.952m has been utilised in a number of ways to ensure the residents of the Borough stayed safe. The key highlights of the activity undertaken during the height of the pandemic are summarised below:

- £0.845m of the Covid-19 Winter Grant was used to cover costs of food and warmth for vulnerable residents including funding food vouchers, replacement household goods, clothing, food, hot meals and utility bills;
- 1,242 residents impacted financially by the need to isolate were supported through the Test & Trace Support grant;
- A Local Support System was developed which redeployed 85 employees and made over 19,000 welfare calls to our vulnerable residents who had to shield. Such innovations helped North Tyneside Council to be hailed as 'best practice' by the then Ministry for Housing, Community and Local Government;
- Over 28,000 copies of a series of magazines entitled 'Navigating or Living Well' were delivered to residents on the shielding list;
- Our residents without a permanent home were provided with emergency bed and breakfast accommodation to ensure they were safe and had access to essential hygiene supplies;
- 87 schools were provided with a hybrid school meal offer for vulnerable students or students of critical workers to ensure all pupils were offered a meal who needed one;
- Customer Services established a dedicated Covid-19 line to support residents who were required to shield or self-isolate;
- Volunteers from the customer services team supported the voluntary sector in preparing 300 Christmas food parcels for those who were shielding;
- System developed to enable residents to pre-pay for their shopping and £0.081m of payments were processed enabling vulnerable residents to stay safe and self-isolate; and,
- Administered a meal voucher scheme to provide vouchers during the school holidays for those children entitled to free school meals. 7,021 vouchers were

issued by the summer term 2021, providing support to those families in greatest need.

11.4 We know that we must continue to live alongside the virus. The successful completion of the recovery programme signalled a response to the Authority's emergency response and a return to a business-as-usual state, with the focus on building a better North Tyneside, creating the conditions for a Borough that continues to thrive. As part of that and a refreshed Our North Tyneside Plan the Authority will continue to support its Residents through the allocation of the remaining funding outlined in the above table. Some of the key projects are:

- As restrictions started to lift focus moved to how best to help Clinically Extremely Vulnerable residents to reintegrate; many had not left their homes and doing so caused extreme anxiety. The Authority used the CEV funding to increase capacity within the Good Neighbours project to support people with a buddy service, supporting with going shopping, going for a walk and helping residents leave their home and navigate new ways of life i.e. with shopping (wearing masks / one way systems etc);
- Funding was given to Age UK for a project using people to visit Older People who had become frailer and needed help to rebuild muscle tone and confidence before they felt able to leave the house;
- Supported LD:NE (Learning Disability North East) who worked to support residents to attend activities – resulting in 715 activities being accessed by people with a Learning Disability;
- Ran training for staff and volunteers on loss and bereavement, due to the success of this the Authority will be running further sessions over the coming months;
- Funding provided to Citizens Advice Bureau to increase support for debt work;
- Additional funding provided to the Foodbank to recognise an increase in demand for their services;
- Run the Spirit of North Tyneside awards to celebrate the contribution made by our residents to improving the lives of others and the environment;
- Planning a grant fund of £400,000 for VCSE organisations that will be a collaboration between NTC and North Tyneside CCG and administered by VODA. The funding will be aimed at delivering initiatives aimed at people affected by the pandemic and health inequalities.
- Developing a Covid Exhibition and memorial to covid centred on our waggon ways.
- Through the Household Support Grant Cabinet has committed to continue to support free school meals during the school holidays and will support the Bread-and-Butter programme; a project aiming to provide a link between food banks and supermarkets, allowing residents to purchase food at reduced costs;
- A range of other projects are being developed using the Household Support Grant which include;
    - Support for direct help to residents through the Welfare Provision Team as demand grows from residents struggling due to reduction in income or losses through Universal Credit and those struggling with rising fuel costs as we enter the winter period;

- Support for Care Leavers via a one-off grant to help with food or fuel costs. Often these are young people who can struggle to manage costs of independent living;
- Continued support to the Community and Voluntary Sector, who have played a vital role so far in supporting residents and helping the Authority deliver assistance via support for food, fuel and essential items;
- Support for housing costs for those that fall out of main support available via Housing Benefit, Universal Credit or Discretionary housing payments with grant could help;
- Support for clothing and school uniforms; and
- Support to reduce fuel poverty via grants to help repair or replace boilers where needed and also help clear fuel arrears' or help with winter fuel costs.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
BS026 Asset Planned Maintenance						
Council Contribution	1,770	1,500	1,500	1,500	1,500	7,770
Section 106	9	0	0	0	0	9
Capital Receipts	32	0	0	0	0	32
Contribution from Reserves (Insurance)	244	0	0	0	0	244
BS026 Asset Planned Maintenance Total	2,055	1,500	1,500	1,500	1,500	8,055
BS029 Wallsend Customer First Centre						
Council Contribution	280	0	0	0	0	280
North of Tyne Combined Authority	250	0	0	0	0	250
BS029 Wallsend Customer First Centre Total	530	0	0	0	0	530
BS030 Public Sector Decarbonisation Scheme						
Council Contribution	450	0	0	0	0	450
Low Carbon Skills Grant	3,289	0	0	0	0	3,289
BS030 Public Sector Decarbonisation Scheme Total	3,739	0	0	0	0	3,739
CO079 Playsites						
Section 106	82	0	0	0	0	82
CO079 Playsites Total	82	0	0	0	0	82
CO080 Burradon Recreation Ground						
Section 106	107	0	0	0	0	107
CO080 Burradon Recreation Ground Total	107	0	0	0	0	107
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancements						
Section 106	65	0	0	0	0	65
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancement	65	0	0	0	0	65
CO082 Sport and Leisure Facility Improvements						
Contribution from Reserves (Leisure)	18	0	0	0	0	18
CO082 Sport and Leisure Facility Improvements Total	18	0	0	0	0	18
CO083 Whitley Bay Crematoria						
Council Contribution	1,379	0	0	0	0	1,379
CO083 Whitley Bay Crematoria Total	1,379	0	0	0	0	1,379
CO085 Northumberland Park Labyrinth						
Section 106	19	0	0	0	0	19
Contribution from Friends of Northumberland Park	25	0	0	0	0	25
Revenue Contribution (05582)	2	0	0	0	0	2
CO085 Northumberland Park Labyrinth Total	46	0	0	0	0	46
DV058 Swan Hunters Redevelopment						
Council Contribution	13	0	0	0	0	13
DV058 Swan Hunters Redevelopment Total	13	0	0	0	0	13
DV064 Council Property Investment						
Council Contribution	735	300	0	0	0	1,035
North of Tyne Combined Authority - Brownfield Housing Fund	1,300	0	0	0	0	1,300
DV064 Council Property Investment Total	2,035	300	0	0	0	2,335
DV066 Investment in North Tyneside Trading Co						
Council Contribution	1,959	0	0	0	0	1,959
Section 106	3,413	0	0	0	0	3,413
DV066 Investment in North Tyneside Trading Co Total	5,372	0	0	0	0	5,372
DV067 Northern Promenade						
Council Contribution	150	0	0	0	0	150
Capital Receipts	223	0	0	0	0	223
Revenue Contribution (08252)	577	0	0	0	0	577
DV067 Northern Promenade Total	950	0	0	0	0	950
DV068 Southern Promenade						
Environment Agency Grant	193	0	0	0	0	193
DV068 Southern Promenade Total	193	0	0	0	0	193

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Gei DV071 Section 106 Contributions to Set Up Health Facilities						
Section 106	228	36	0	0	0	264
DV071 Section 106 Contributions to Set Up Health Facilities Total	228	36	0	0	0	264
DV073 Ambition for North Tyneside						
Council Contribution	0	654	1,225	2,000	0	3,879
Capital Receipts	63	254	0	0	0	317
Historic England - Heritage Action Zone	0	0	0	0	0	0
Revenue Contribution (08252)	0	746	500	0	0	1,246
DV073 Ambition for North Tyneside Total	63	1,654	1,725	2,000	0	5,442
DV074 North Shields Heritage Action Zone (Ambition)						
Council Contribution	705	116	87	0	0	908
Historic England - Heritage Action Zone	1,265	115	86	0	0	1,466
DV074 North Shields Heritage Action Zone (Ambition) Total	1,970	231	173	0	0	2,374
DV075 Town & Neighbourhood Centres (Ambition)						
ERDF	34	0	0	0	0	34
DV075 Town & Neighbourhood Centres (Ambition) Total	34	0	0	0	0	34
DV076 Getting Building Fund (North Shields Public Realm)						
NELEP - Getting Building Fund	3,386	0	0	0	0	3,386
DV076 Getting Building Fund (North Shields Public Realm) Total	3,386	0	0	0	0	3,386
DV077 Tyne Brand Development Site						
North of Tyne Combined Authority - Brownfield Housing Fund	25	1,475	2,650	190	0	4,340
DV077 Tyne Brand Development Site Total	25	1,475	2,650	190	0	4,340
ED075 Devolved Formula Capital						
Education Funding Agency (Devolved)	1,306	1,079	579	579	579	4,122
ED075 Devolved Formula Capital Total	1,306	1,079	579	579	579	4,122
ED120 Basic Need						
Education Funding Agency (Basic Need)	239	2,014	113	113	113	2,592
ED120 Basic Need Total	239	2,014	113	113	113	2,592
ED132 School Capital Allocation						
Education Funding Agency (SCA)	4,867	4,334	3,534	3,534	3,534	19,803
ED132 School Capital Allocation Total	4,867	4,334	3,534	3,534	3,534	19,803
ED189 School Nursery Capital Fund						
Education Funding Agency (Devolved)	25	0	0	0	0	25
Education Funding Agency (SNCF)	77	0	0	0	0	77
ED189 School Nursery Capital Fund Total	102	0	0	0	0	102
ED190 High Needs Provision Capital Allocation						
Education Funding Agency (High Needs)	663	0	0	0	0	663
ED190 High Needs Provision Capital Allocation Total	663	0	0	0	0	663
EV034 Local Transport Plan						
Dept for Transport LTP ITA	958	958	958	958	958	4,790
Dept for Transport LTP Maint	1,951	1,947	2,000	2,000	2,000	9,898
Section 106	340	0	0	0	0	340
Public Transport Funding	28	28	28	28	28	140
Dft Pothole Funding 21/22	1,000	0	0	0	0	1,000
EV034 Local Transport Plan Total	4,277	2,933	2,986	2,986	2,986	16,168
EV055 Surface Water Improvements						
Environment Agency Grant	421	0	0	0	0	421
NWL Contribution	40	0	0	0	0	40
EV055 Surface Water Improvements Total	461	0	0	0	0	461
EV056 Additional Highways Maintenance						
Council Contribution	195	2,000	2,000	2,000	2,000	8,195
Dept for Transport - Pothole Challenge Fund	1,851	0	0	0	0	1,851
EV056 Additional Highways Maintenance Total	2,046	2,000	2,000	2,000	2,000	10,046
EV069 Vehicle Replacement						
Council Contribution	1,602	762	1,248	1,676	1,123	6,411
EV069 Vehicle Replacement Total	1,602	762	1,248	1,676	1,123	6,411

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Gei EV076 Operational Depot Accommodation Review						
Council Contribution	339	0	0	0	0	339
ERDF	1,572	200	0	0	0	1,772
EV076 Operational Depot Accommodation Review Total	1,911	200	0	0	0	2,111
EV083 Street Lighting LED						
Council Contribution	957	2,135	1,386	0	0	4,478
EV083 Street Lighting LED Total	957	2,135	1,386	0	0	4,478
EV084 A189 Improvements Haddricks Mill to West Moor						
DFT National Productivity Fund	245	0	0	0	0	245
Section 278	0	0	0	0	0	0
EV084 A189 Improvements Haddricks Mill to West Moor Total	245	0	0	0	0	245
EV091 Other Initiatives Climate Change						
Council Contribution	27	0	0	0	0	27
EV091 Other Initiatives Climate Change Total	27	0	0	0	0	27
EV092 E-Cargo Bikes2						
DFT E-Cargo Grant	0	0	0	0	0	0
EV092 E-Cargo Bikes2 Total	0	0	0	0	0	0
EV094 Transforming Cities Tranche 22						
Council Contribution	2,053	0	0	0	0	2,053
Capital Receipts	447	0	0	0	0	447
Transforming Cities Fund	3,345	0	0	0	0	3,345
EV094 Transforming Cities Tranche 22 Total	5,845	0	0	0	0	5,845
EV095 Emergency Active Travel Tranche 1 & 2						
Dept for Transport Covid19 Emergency Travel Fund Tranche2	1,400	0	0	0	0	1,400
EV095 Emergency Active Travel Tranche 1 & 2 Total	1,400	0	0	0	0	1,400
EV096 Tanners Bank						
Dept for Transport LTP Maint	50	53	0	0	0	103
Dept for Transport - Highway Maintenance Challenge Fund	333	547	0	0	0	880
EV096 Tanners Bank Total	383	600	0	0	0	983
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Bellway Homes)						
Section 106	4,241	0	0	0	0	4,241
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Be	4,241	0	0	0	0	4,241
GEN03 Contingencies						
Council Contribution	2,109	2,500	2,000	2,000	500	9,109
GEN03 Contingencies Total	2,109	2,500	2,000	2,000	500	9,109
GEN12 Local Infrastructure						
Council Contribution	110	100	100	100	100	510
GEN12 Local Infrastructure Total	110	100	100	100	100	510
HS004 Disabled Facilities Grant						
Better Care Fund	1,400	2,580	0	0	0	3,980
HS004 Disabled Facilities Grant Total	1,400	2,580	0	0	0	3,980
HS051 Private Sector Empty Homes						
Council Contribution	441	393	0	0	0	834
Homes & Communities Grant	210	0	0	0	0	210
HS051 Private Sector Empty Homes Total	651	393	0	0	0	1,044
HS052 Killingworth Moor Infrastructure						
Housing Infrastructure Fund	0	0	0	0	0	0
HS052 Killingworth Moor Infrastructure Total	0	0	0	0	0	0
HS053 Green Homes Local Authority Delivery						
Green Homes Grant (LAD1b) - Dept for BEIS	2,162	0	0	0	0	2,162
Green Homes Grant (LAD2) - Dept for BEIS	1,154	0	0	0	0	1,154
HS053 Green Homes Local Authority Delivery Total	3,316	0	0	0	0	3,316
IT020 ICT Strategy						
Council Contribution	1,436	1,000	1,000	1,000	1,000	5,436
IT020 ICT Strategy Total	1,436	1,000	1,000	1,000	1,000	5,436

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund Total	61,884	27,826	20,994	17,678	13,435	141,817
HRA						
HS015 Refurbishment / Decent Homes Improvements						
See HRA Financing	26,554	20,664	21,248	21,745	22,877	113,088
HS015 Refurbishment / Decent Homes Improvements Total	26,554	20,664	21,248	21,745	22,877	113,088
HS017 Disabled Adaptations						
See HRA Financing	1,314	1,072	1,083	1,094	1,105	5,668
HS017 Disabled Adaptations Total	1,314	1,072	1,083	1,094	1,105	5,668
HS039 ICT Infrastructure Works						
See HRA Financing	273	608	1,109	360	112	2,462
HS039 ICT Infrastructure Works Total	273	608	1,109	360	112	2,462
HS044 HRA New Build						
See HRA Financing	3,606	3,930	3,960	6,750	7,330	25,576
HS044 HRA New Build Total	3,606	3,930	3,960	6,750	7,330	25,576
HRA Total	31,747	26,274	27,400	29,949	31,424	146,794
Total £000	93,631	54,100	48,394	47,627	44,859	288,611

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
Council Contribution	16,710	11,460	10,546	10,276	6,223	55,215
Council Contribution - Capital Receipts	765	254	0	0	0	1,019
Grants & Contributions	43,568	15,366	9,948	7,402	7,212	83,496
Revenue Contribution	579	746	500	0	0	1,825
Contribution from Reserves	262	0	0	0	0	262
General Fund Total	61,884	27,826	20,994	17,678	13,435	141,817
HRA Financing						
HRA Capital Receipts	2,047	1,886	2,871	2,689	2,984	12,477
HRA Revenue Contribution	10,759	9,831	9,485	11,932	12,760	54,767
HRA MRR	17,689	14,557	15,044	15,328	15,680	78,298
HRA Grants & Contributions	1,252	0	0	0	0	1,252
HRA Financing Total	31,747	26,274	27,400	29,949	31,424	146,794
Total£000	93,631	54,100	48,394	47,627	44,859	288,611

£Prudential and treasury indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2021. The Director of Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

1. PRUDENTIAL INDICATORS	2021/22	2021/22
	budget	estimate
	£m	£m
Capital Expenditure		
Non – HRA (General Fund)	£39.012	£58.644
HRA	£26.362	£31.747
TOTAL	**£65.374**	**£90.391**
Ratio of financing costs to net revenue stream		
Non – HRA (General Fund)	18.85%	17.15%
HRA	27.90%	27.88%
Ratio of financing costs for Prudential Borrowing to net revenue stream		
Non – HRA (General Fund)	13.53%	12.32%
HRA	5.85%	5.87%
Gross borrowing requirement General Fund (CFR excluding PFI)		
brought forward 1 April	£275.935	£269.975
carried forward 31 March	£276.394	£266.387
in year borrowing requirement	**£0.459**	**£3.588**
Gross borrowing requirement HRA (CFR excluding PFI)		
brought forward 1 April	£245.008	£242.634
carried forward 31 March	£241.177	£238.803
in year borrowing requirement	**(£3.831)**	**(£3.831)**
Gross borrowing requirement (CFR excluding PFI)	£517.572	£505.190

Capital Financing Requirement (including PFI)		
Non – HRA	£315.208	£305.029
HRA	£310.343	£307.662
TOTAL	**£625.551**	**£612.692**
Annual change in Capital Financing Requirement		
Non – HRA	(£1.247)	(£3.588)
HRA	(£5.386)	(£3.831)
TOTAL	**(£6.633)**	**(£7.419)**
2. TREASURY MANAGEMENT INDICATORS	**2021/22**	**2021/22**
	budget	**estimate**
	£m	**£m**
Authorised Limit for external debt -		
borrowing	£1,040.000	£1,040.000
other long term liabilities	£135.000	£135.000
TOTAL	**£1,175.000**	**£1,175.000**
Operational Boundary for external debt -		
borrowing	£520.000	£520.000
other long term liabilities	115.000	115.000
TOTAL	**£635.000**	**£635.000**
Actual external debt (including PFI)	£528.206 (31/03/2021)	£509.945

Maturity structure of fixed rate borrowing during 2020/21	**upper limit**	**lower limit**
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	25%
20 years and within 30 years	100%	25%
30 years and within 40 years	100%	25%
40 years and within 50 years	100%	25%

Appendix 3

Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21

2022 / 23

Date: October 2021
Owner: Strategic Finance

North Tyneside Council

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Foreword

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management stipulates that the Chief Finance Officer should set out in advance the Treasury Management Strategy for the forthcoming financial year, and subsequently report the treasury management activities during that year.

1.2 The primary requirements of the Code are as follows:

(a) forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report);
(b) a mid-year review report; and,
(c) review actual activity for the preceding year, including a summary of performance.

1.3 This section of the document contains the required mid-year review report for 2021/22. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first six months of 2021/22;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22;
- A review of the Authority's investment portfolio for 2021/22;
- A review of the Authority's borrowing strategy for 2021/22; and,
- A review of compliance with Treasury and Prudential Limits for 2021/22 (detailed in Reference to appendix 2).

Economic Performance and Outlook Summary

2.1 Economic performance continues to be driven by Covid-19 and the continued fallout for this worldwide pandemic. The Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10% and has remained at this level since.
The easing of restrictions in Q2 of 2021 have led to significant inflationary pressure resulting in the first potential reaction from the Bank of England use monetary policy tools to manage inflation.

2.2 Inflation remains the hot topic over the MTFP, inflation recently rose above the 2% target to 3.1% in September.
The increases in energy prices, pent-up demand post COVID as well as labour shortages have all contributed to the sharp rise in inflation.
Markets have factored in the first rate rise since the start of the pandemic, however the Bank of England remain cautious with the tone from the MPC to await for sufficient data

Interest Rate Forecast

3.1 Link Asset services currently forecast Bank of England base rate to increase from the current 0.10% during Q2 of 2022.

Table 1: Link Asset Services BoE base rate forecast

Month	Dec-21	Dec-22	Dec-23
BBR Rate	0.10%	0.25%	0.50%

3.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.
As indicated in table 1, one increase in Bank Rate from 0.10% to 0.25% has now been included in 2022, a second increase to 0.50% in 2023 and a third one to 0.75% in 2024.

3.3 Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%.

Bond Yields and Increase in the cost of borrowing from the PWLB

4.1 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Federal Reserve (Fed), the Bank of England and the European Central Bank (ECB), to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target, and the target rate could not be exceeded. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

4.2 The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.

4.3 The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.

4.4 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

4.5 Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

4.6 Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

4.7 North Tyneside Council has previously borrowed only from the PWLB as its main source of long-term funding; the changing market means the Authority should consider alternative sources of borrowing as necessary. At the current time, this area is still currently developing. The market has seen financial institutions entering the long-term borrowing market and make borrowing products available; however, this remains suitable for larger capital drawdowns in and around £50m+. Therefore, whilst this has limited appeal to North Tyneside Council, we continue to watch this space for future developments.

Balance of Risk to the UK

5.1 The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

5.2 There is a balance of upside risks to forecasts for medium to long term PWLB rates.

Annual Investment Strategy

6.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 18 February 2021. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

6.2 The 18 February 2021 Council approved TMSS sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

6.3 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions.

6.4 The approved limits within the Annual Investment Strategy were not breached during the period to 30 September 2021.

6.5 During the six months of the financial year, Treasury Management activities have predominantly been to manage the large surplus cash balances which has been generated by the front loading of government grants in response to Covid-19 as well as borrowing the Authority undertook in March 2020 which was to reduce the liquidity risk as Covid-19 took priority across the world.

Table 2: Investment performance at 30 September 2021

Investments	30/09/2021 £m	Average rate of Return %	Interest Earned period to 30/09/2021
Debt Management Office	40.000	0.01%	£1,609
Other Local Authority	25.000	0.10%	£76,605
Bank Deposits	5.000	0.01%	£249
Cash at Bank	2.258	0.00%	£0

6.7 Short-term cash investment rates remain at all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions.

Borrowing

7.1 The Authority's total capital financing requirement (CFR) including PFI for 2021/22 is £617.417. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The summary table provided below provides the borrowing position as at 30 September 2021. Total external debt including PFI's is £512.109m.

7.2 There was net decrease in borrowing during the quarter ended 30 September 2021.

Table 3: Total External Debt 30 September 2021

Principal £m	
	External Borrowing
377.443	Public Works Loan Board (PWLB)
20.000	Lender Option Borrower Option (LOBO)
5.000	Other Local Authorities
402.443	**Total**
	Other External Debt
109.666	PFI & Finance Lease (as at 01 Apr 21)
512.109	**Total External Debt**
	Split of External Borrowing
244.672	Housing Revenue Account
157.771	General Fund
402.443	**Total**

7.3 Following introduction of self-financing for the Housing Revenue Account, from 1 April 2012, loans were split between General Fund and Housing. However, decisions on borrowing for both General Fund and Housing will continue to be made within the overall Treasury Management Strategy and will be reported jointly.

7.4 The difference between the CFR and external borrowing is known as internal borrowing. The level of internal borrowing is determined within the Treasury Management Strategy, by a number of factors including market conditions for investments and the level of the Authority's reserves and balances.

7.5 The Authority's borrowing strategy has been to borrow short term due to the relatively low interest rate levels. Short term temporary borrowing remains pertinent to the strategy due to the ongoing PWLB consultation.

Debt Rescheduling

8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

Compliance with Treasury and Prudential Limits

9.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2021/22. All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: 2022-2026 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

Portfolio(s):	**Elected Mayor**	**Cabinet Member(s):**	**Mrs Norma Redfearn**
	Deputy Mayor		**Councillor C Johnson**
	Finance and Resources		**Councillor M Rankin**
	Housing		**Councillor S Cox**

Report from Service Area:	**Senior Leadership Team**	
Responsible Officer:	**Janice Gillespie, Director of Resources (Chief Finance Officer)**	**Tel: (0191) 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

On 20 September 2021, Cabinet agreed its 2022-2026 Financial Planning and Budget Process incorporating the associated Engagement Strategy. This report represents a key milestone in the development of the 2022/23 Budget and 2022-2026 Medium-Term Financial Plan (MTFP), as it sets out Cabinet's initial Budget proposals for the next financial year and beyond.

The budget is driven by the Authority's key priorities that make up the Our North Tyneside plan – A thriving, secure, family friendly, caring and green North Tyneside. North Tyneside Council has a very clear and ambitious plan to maximise support to those who need it most in the community whilst investing in all areas of the Borough and building a strong foundation to recover from the pandemic.

Financial Planning continues to be challenging. There are tough times ahead, years of reductions in Central Government funding and uncertainty caused by the pandemic have left the Authority in a challenging position. The full financial impact of the pandemic is not yet known and whilst there have been some calls for optimism, like elsewhere in the country, many of the Authority's services, such as Adults and Children's Social Care, remain critically under resourced. While finance is directed towards priorities of the Mayor and Cabinet, there are significant risks and a great deal of uncertainty at the current time.

The pandemic has affected everyone but for some residents the impact has been more significant. The refreshed Council Plan, and the Cabinet's approach to tackling the inequalities gap will bring challenges in terms of resources available to support the most vulnerable residents alongside the uncertainty of the longer-term impact on the Authority's income and expenditure.

On 27 October 2021, the Chancellor announced the Spending Review 2021(SR21) that will cover the next 3 years (2022-23 to 2024-25). Key measures for Local Government include:

- Council Tax thresholds will remain at similar levels to recent years, with the threshold for "core" Council Tax increases remaining at 1.99% and the adult social care precept by a further 1%. Confirmation of the thresholds will be in the provisional settlement.

- Local Government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).

- Additional funding will be made available for social care reform (£3.6bn over 3 years to implement "the cap on personal care costs and changes to the means test").

- From the £5.4bn social care reform funding, a further £1.7bn will be allocated over 3 years "to improve the wider social care system" and £500m will be made available to "improve" the social care workforce.

- There are various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".

- There was no announcement about local government funding reforms (Fair Funding Review or business rates changes); however on 10 November 2021, the new Department for Levelling Up, Housing and Communities (DLUHC) announced that the Government had plans to abandon the approach to 75% Business Rates retention, advising that policy would conflict with the government's "levelling up agenda".

- In terms of any key announcements for the Housing Revenue Account, no indications were made that Central Government is expecting to impose any kind of cap on landlords for social housing rents.

SR21 has set out increased funding for Local Government; whether that is sufficient, when considered alongside inflationary pressures, demand pressures, and workforce shortages particularly across the care sector, remains a significant risk to the Authority. Added to that there continues to be significant uncertainty in terms of the financial settlement for Local Government and how the available funding will be distributed between local authorities through the funding formula from 2022/23.

The level of uncertainty is making financial planning extremely difficult and requires the Authority to be flexible and adaptable as it considers setting the 2022/23 budget and the Medium-Term Financial Plan 2022/23 to 2025/26. Financial planning within the Authority will ensure that it is well placed to react effectively to any outcome, however planning with this level of uncertainty is not conducive to effective long-term decision making.

1.2 Recommendation(s):

It is recommended that Cabinet:

- agree the key principles being adopted in preparing the Medium-Term Financial Strategy for the Authority, subject to an annual review;

- note performance against the Our North Tyneside Plan outcomes;

- consider and agree the initial Budget proposals in relation to the 2022/23 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's Budget monitoring information;

- consider and agree the proposed 2022-2027 Investment Plan, including initial prudential indicators for 2022-2026 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations;

- note the draft Capital Investment Strategy and note that this Strategy will now be subject to consultation as part of the Budget Engagement Strategy;

- note that all approved schemes within the 2022-2027 Investment Plan will be kept under corporate review by the Investment Programme Board;

- consider and agree the initial proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2022/23 and Treasury Management Practices (TMPs);

- note the formal Reserves and Balances Policy for the Authority, subject to review at least annually;

- note the Provisional Statement by the Chief Finance Officer;

- consider and agree the 2022/23 rent policy for housing; and consider and agree the initial Budget proposals in relation to the 2022-2026 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2021/22);

- note the proposed 4.1% rent increase from April 2022 (in line with Government policy), and the initial proposals in relation to housing service charges and garage rents for 2022/23;

- authorise the Director of Resources, in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2022/23 in line with the school funding arrangements set out in the report;

- authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial Budget proposals, and

- authorise the Director of Resources to carry out consultation on changing the backdating rule for new claims to be backdated from 4 weeks to 26 weeks (where appropriate) in the Council Tax Support scheme.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 29 October 2021.

1.4 Council Plan and Policy Framework

The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3, covering the process for the preparation, consideration and final approval of the Authority's Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering, and approving these issues drive the timetable for the financial planning and Council Tax-setting process of the Authority.

The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

The Budget proposals will also be presented to the Overview, Scrutiny and Policy Development Committee during the Budget-setting process. The priorities in the 2021-2025 Our North Tyneside Plan provide the strategic framework within which Budget resources are allocated.

1.5 Information:

1.5.1 Background

On 18 February 2021, full Council approved a Medium-Term Financial Plan for the period 2021/22 to 2025/26, providing a financial framework to support the delivery of the Authority's priorities as set out in the refreshed 2021-2024 Our North Tyneside Plan. The Budget set in February for 2021/22 was balanced, based on a robust set of assumptions in relation to the resources available, and prudent estimates of the expenditure that was necessary to deliver the Authority's Services.

The Our North Tyneside Plan 2021-2025 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. The Authority has worked to a clear set of priorities through the Plan and these priorities formed the basis of the framework for COVID-19 recovery in North Tyneside during 2020-21 and the early part of 2021-22.

On 23 September 2021, full Council approved the updated Our North Tyneside Plan, which was refreshed following the Mayoral Election on 6 May 2021 to reflect the policy priorities of the new administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

The Our North Tyneside Plan 2021-2025 is structured in five key themes and each theme has a clear set of policy priorities:

- A thriving North Tyneside;
- A family-friendly North Tyneside;
- A caring North Tyneside;
- A secure North Tyneside; and
- A green North Tyneside.

The impact of the COVID-19 pandemic has continued throughout the financial year 2021/2022 and it is anticipated there will continue to be implications into future years, as the inequality gap has grown over the period of the pandemic.

As Budget-planning activity progresses, Cabinet will be aware that there is a significant amount of uncertainty remaining. The recent announcement of Central Government's Social Care Reform will have a significant impact for the provision of social care and how it is funded but the scale of new burdens for social care remains uncertain for Local Government.

Throughout the current financial year, the Authority has continued to act and respond to the COVID-19 pandemic; this has adversely impacted the financial position of the Authority. As Cabinet will be aware, in a normal year, it is challenging to deliver a balanced in-year position against the Budget. The financial impact of COVID-19 has compounded this challenge and as described in the September Financial Management report, the current estimated pressure due to COVID-19 at the end of September is £4.161m for the General Fund.

In addition to delivering business as usual, the Authority has continued to mobilise its workforce to undertake new responsibilities and lead the local response to the pandemic. The COVID-19 Support Hub was specifically set up to support and protect the clinically extremely vulnerable residents in the Borough during the first national lockdown when they were required to shield in their homes to protect themselves from the virus, this continued during 2021/22. Proactive work has continued to support the care sector to meet the additional operation costs due to COVID-19. The Authority has also had to administer grants to eligible businesses to help support the local economy, whilst also ensuring that the public and staff are protected by introducing effective control measures to public buildings and open spaces. In 2021/22, a further £39.211m of grants has been awarded to the Authority to continue to support the Borough’s recovery from COVID-19.

Cabinet will be aware that some services had to be suspended during the initial escalation of the pandemic due to national lockdown measures. This led to a significant loss of sales, fees and charges income, with school improvement, leisure, cultural and catering services seeing the biggest income losses. On 2 July 2020, the Government announced that financial support would be provided to local authorities for income lost on sales, fees and charges. This income compensation scheme provided support for some of the income lost; however, the Authority was required to cover the first 5% of any budgeted losses. This scheme has been extended into 2021/22 but only to cover losses incurred during April 2021 – June 2021. This is estimated to equate to additional grant support of £1.335m. This area poses a specific risk for 2022/23 and the medium-term as it remains uncertain. Some services are recovering well but it is likely that the Authority will continue to see reduced income levels in relation to sales, fees and charges in future years.

The impact of COVID-19 poses a significant risk to the local economy, which will influence the Authority's ability to raise resources. Initial concerns with regards to increased levels of unemployment, were realised in the early part of the pandemic where there was a surge in out of work benefit claimants, the pattern in North Tyneside being in line with the regional and national picture. Since that early peak there are been a steady decline in the level of claimants, but this is not at pre-pandemic levels yet. There have been fewer redundancies than expected and what is being seen locally, regionally and nationally are significant skills shortages, with employers reporting difficulty recruiting at the moment.

The risk remains that business rates could be impacted in the event of business closures, increases in the number of properties claiming empty property relief where businesses either cease trading or seek to take advantage of changed working patterns to reduce property costs. However, at this stage the Authority has not seen a material reduction in the rateable value, nor a surge in appeals against rateable values to date.

Over the course of the pandemic a vast range of measures were put in place to support the residents of North Tyneside and in particular the most vulnerable residents. Where residents were being supporting due to increasing financial difficulty the Authority saw the numbers of residents and families requiring support increase and a real increase in those residents and families who have never previously come forward for help where the impact of the pandemic had tipped the balance for those residents.

Demand for adult social care has surged at times as a direct result of the pandemic and it is possible that some of the increases in demand will continue into 2022/23. The care market has also experienced increases in operational costs and lost income due to under occupancy in some care homes which the Authority has supported with grants that have been received by the Government. There is a risk that a rise in the underlying costs will impact market prices which will not be covered by additional funding from the Government; this would leave the Authority with increased financial pressures in 2022/23.

In terms of children's social care services there continues to be significant financial pressure. Whilst the numbers of Looked After Children has remained fairly static the costs associated with looking after those children continues to increase due to complexity of the cases and lack of supply in the market pushing up supplier prices. The Authority has seen significant increases in the numbers of child protection and children in need cases because of the impact of COVID-19 on families. This has led to increased demand on the workforce, and the Authority continues to see the impact of competition across the region for children's social workers impacting on the ability to retain and indeed recruit staff. All this leading to additional financial risk and pressure.

In July 2019 full Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2030. The Cabinet agenda today includes a report of the ongoing work programme and sets out the Authority's approach to meeting this policy ambition, with the expectation that an updated workplan will be brought back to Cabinet in 2022. The initial Budget proposals include investment in the capacity needed to respond to the global climate emergency, and it is expected the level of investment required locally and supported nationally will become clearer over the course of 2022.

Despite all this, Cabinet will be aware that in challenging circumstances the priorities, as set out in the Our North Tyneside Plan, continue to be met and that the Authority has a good track record of delivering those priorities within the funding resources that are available. This is evidenced by the fact that Cabinet have delivered balanced outturns, without the need to use reserves, in each of the last three financial years.

Whilst the approach to Budget-setting this year continues to feel different due to the pandemic and there is a significant amount of risk and uncertainty, Cabinet will continue to plan for the future listening and focusing on the priorities of residents and businesses. This includes producing a balanced Budget for 2022/23 and a Medium-Term Financial Plan which is based on a reasonable and prudent set of assumptions. Despite the unknowns, the residents and businesses that live and work within the Borough need certainty that the Authority is continuing to deliver services that meet their needs and that their money is being spent well.

1.5.2 Approach to Managing Uncertainty

Financial Planning has been carried out at a time of continued uncertainty as a result of increasing demand for some services due to Covid-19, the changing needs of the ageing population in North Tyneside and waiting for further details of a Fairer Funding formula. This section of the report sets out the key areas of risk and uncertainty and how the Mayor and Cabinet can approach the associated financial risks.

The Authority has continued to engage effectively with its NHS partners and has worked collaboratively with partners across the care sector. Adult Services continues to be heavily impacted by the Pandemic and other external factors. More recently the lack of capacity in the homecare market has seen care providers struggle to recruit and retain staff in a buoyant jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. As the NHS deals with addressing its backlog, Hospital discharges are higher than pre-pandemic leading to service capacity issue and the risk of more short-term placements in care homes which are difficult to change once in place. This has been addressed in the short term through additional provision of Home Care support by the Authority, and through a pilot Home Care project being delivered with NHS colleagues.

During this current financial year, the Authority has continued to work with the care sector, ensuring financial support is being promptly distributed to safeguard services for the most vulnerable residents in the Borough. The Authority has been working to strengthen its approach to commissioning and demand management across the care sector, ensuring that services will meet individuals' needs, maintaining a sustainable care market and ensuring that all services offer value for money. This will take account of the changing nature of demand for adult social care services and the challenges facing adult social care nationally, as stated previously, will be significantly impacted by the Social Care Reform proposals.

The latest estimates of the continued financial impact of the COVID-19 pandemic are set out in the September Budget Monitoring report. Many of the additional costs, lost income and savings not achieved in the current year may continue to have an extended impact on the 2022/23 Budget. As of September 2021, the total estimated financial impact of COVID-19 was £17.274m. This has been funded by £7.261m of the Local Authority Support Grant, £1.335m of Income Compensation for Sales, Fees and Charges losses and £4.517m of COVID-19 service specific grants, leaving a gap of £4.161m for the Authority to fund. Further details of this are included in Table 1 below.

Table 1: Estimated Financial Impact of COVID-19

Service	COVID-19 Impact	Costs Allocated to other Specific Grants	Net Impact of COVID-19
	£m	£m	£m
Commissioning & Asset Management	1.718	0.723	2.441
Environment Housing & Leisure	4.046	0.174	4.220
Adult Social Care	2.640	2.200	4.840
Children's Social Care and Public Health	4.141	0.782	4.923
Law and Governance	0.147	0.000	0.147
Central	0.167	0.000	0.167
Corporate Strategy	0.120	0.000	0.120
Resources	0.416	0.000	0.416
Total	**13.395**	**3.879**	**17.274**
Government Grants	(8.596)	(4.517)	(13.113)
2021/22 Net Impact			**4.161**

The approach to financial planning includes a risk assessment as to where some of the COVID-19 service impacts may continue into 2022/23. It is prudent to expect that there will be an ongoing financial impact and Table 2 below sets out areas assessed as medium / high risk which will be closely monitored as Budget-setting activity progresses.

Table 2: Income and Expenditure Risk Assessment of the Potential Financial Impact of COVID-19 in Future Years

Income		Expenditure	
Area of Risk	**Risk Assessment**	**Area of Risk**	**Risk Assessment**
School Improvement	Amber	COVID-19 secure buildings	Amber
Sport and Leisure	Amber	Demand in Children's Services	Red
Cultural Facilities	Amber	Adult Social Care	Red
Catering Services	Amber	Home to school transport	Red
Property Lettings	Amber	Increased bad debts	Amber

One of the key approaches to manging the range of financial risks is the ongoing review of the Authority's reserves and balances and any specific application/use to be considered. To that end, the Chief Finance Officer in consultation with the Cabinet Member for Resources and the Senior Leadership Team, is proposing to earmark £2.000m from the Strategic Reserve to manage the risk of the financial impact of the pandemic into 2022/23. In addition, a range of projects identified to mitigate current cost pressures across Adults and Children's Social Care services will result in the use of over £2.000m of the Change Reserve during 2022/23. It is also proposed, at this stage, to increase the Contingency Budget to £6.368m to as a reflection of ongoing risks associated with the delivery of Children's Services, delivery of Efficiency Savings and Inflation risks.

2020/21 saw an increase in the levels of Reserves. This was principally as a result of a significant number of one-off grants the Authority received during 2020/21. The grants were received to address pressures and specific actions to be delivered in response to supporting residents, businesses and Authority service delivery through the impacts of COVID-19. It is expected most of those grant reserves will be used during 2021/22, leading to a significant fall in the overall level of reserves at the end of 2021/22. The Reserves and Balances policy continues to be under review with the overall aim to maintain the Strategic Reserve at a level of £10.000m over the period of the Medium-Term Financial Plan.

Whilst there is still a significant level of uncertainty, the Authority will continue to deliver best practice as would be expected. That means there is a refreshed four-year Medium-Term Financial Plan for both the General Fund (GF) and Housing Revenue Account (HRA) alongside a five-year Capital Investment Programme. Those financial plans have been based on a benchmarked set of assumptions which have included information from HM Treasury, the Office of National Statistics, and the Office for Budget Responsibility, CIPFA, dialogue with the Society of Municipal Treasurers, as well as the local Treasurers across the LA7 and ANEC areas.

2022-2026 Medium-Term Financial Plan

1.5.3 General Fund

The Elected Mayor and Cabinet have worked with the Senior Leadership Team (SLT) since the summer to prepare the draft Budget proposals. The Budget planning assumptions used for the 2022-2026 Medium-Term Financial Plan have been revised based on national, local, and internal information.

Resources available to the Authority have been revised to take account of the potential impact of COVID-19 on Council Tax and Business Rates. The SLT have reviewed the anticipated growth and efficiency assumptions and where necessary these have been revised. Table 3 below shows the high level Medium-Term Financial Plan for 2022-2026; the estimated resources available do not include any assumptions for an increase in Council Tax. Taking all the factors into consideration, the draft Medium-Term Financial Plan for the General Fund indicates a "gap" of £10.852m to be addressed for 2022/23. Without actions over the four-year MTFP period, the cumulative impact is £27.163m.

Table 3: 2022-2026 Draft Medium-Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial estimate of resources available	**(164.542)**	**(170.417)**	**(170.950)**	**(172.949)**
Spend assumptions	**175.394**	**176.281**	**176.949**	**177.397**
Gap/(surplus)	**10.852**	**5.864**	**5.999**	**4.448**
Cumulative Gap/(surplus)	**10.852**	**16.716**	**22.715**	**27.163**

The proposals above include the assumption that there will be no change to the Local Council Tax Support Scheme in terms of the level of contribution working age claimants are expected to make. Cabinet's intention is to change the backdating rule for new claims from 4 weeks to 26 weeks (where appropriate), recognising the need to support those new to the system and where possible provide more support.

1.5.4 Housing Revenue Account

Financial Planning for the Housing Revenue Account (HRA) like the General Fund is driven by the Council Plan vision and priorities. The HRA will set a budget and updated four-year Medium-Term Financial Plan, supported by the updated 30-year Business Plan.

Rent increases for next year are based on the Consumer Price Index (CPI) rate, as at September, plus 1%. The CPI rate announced for September 2021 was 3.1% which leads to a proposed rent increase for 2022-23 of 4.1%. This increase will be used to ensure that the 30-year HRA Business Plan can be balanced, whilst meeting all the Mayor and Cabinet's key objectives, which includes maintaining the existing stock, meeting increased Affordable Homes ambitions, and taking steps to respond to the Authority's Climate Change Emergency, by funding increased sustainability measures and starting to address the decarbonisation agenda.

Like the General Fund, the HRA continues to face financial pressures, some of which have been increased by the COVID-19 pandemic. The continued roll out of Universal Credit and other welfare reforms brings greater pressure on tenants in terms of managing their finances in a time of rising inflation. The Authority continues to focus on supporting residents to sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears.

During the current financial year there is clear evidence of shortages of certain key materials such as steel and wood, accompanied by increasing prices as a result along with the current upwards pressure on inflation, effecting both the capital programme and the day-to-day repairs.

The 2022/23 budget and 4-year Financial Plan for the HRA are balanced with a small, planned contribution from reserves over the next 4 years as set out in Table 4 below.

Table 4: Housing Revenue Account 2022-2026 Initial Medium-Term Financial Plan – Available Resources and Estimated Spend

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial Estimate of Resources Available	**(70.989)**	**(72.596)**	**(74.296)**	**(76.087)**
Spend Assumptions	**71.360**	**72.828**	**74.566**	**76.028**
Net Gap/(surplus)	**0.371**	**0.232**	**0.270**	**(0.059)**

1.5.5 2022-2027 Draft Investment Plan

The 2021-2026 Investment Plan totalling £244.333m was approved by full Council on 18 February 2021. Delivery of projects within the plan and progress to date has been reported to Cabinet as part of the bi-monthly Financial Management reports. Reprogramming of £13.469m has been identified as part of the process and this spend is now included in the 2022-27 planned spend shown below.

Table 5: Summary of the Draft Investment Plan 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
General Fund	28.576	22.494	19.178	15.435	15.812	101.495
Housing	26.724	28.100	30.651	32.126	34.046	151.647
Total	**55.300**	**50.594**	**49.829**	**47.561**	**49.858**	**253.142**

A schedule of the individual projects included in the draft Plan is attached as Appendix B(i). All projects are subject to the Authority's Gateway process.

1.5.6 Dedicated Schools Grant

Cabinet will be aware that school funding is a matter for the Department for Education; either by direct funding agreements with academy trusts or delegated by local authorities to schools where budget management is the delegated responsibility of each governing body. As in previous years, Cabinet will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2022/23. The formula will apply directly to maintained schools for the financial year, and for academies it will form the basis for their funding, distributed by the Education, Skills and Funding Agency (ESFA), for the year starting 1 September 2022. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

Table 6: Indicative Dedicated Schools Grant funding allocation 2022/23

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total Indicative DSG 2021/22 £m
Indicative DSG Settlement	140.000	1.700	13.900	28.800	184.400

1.5.7 Options to reduce the gap

General Fund

The Medium-Term Financial Plan approved by full Council in February 2021 included a 1.99% general increase in Council Tax and a 3% adult social care precept for 2021/22. Government expectations included in the SR21 is that Local Government increases Council Tax by up to 1.99% and applies a 1% adult social care precept.

Should Cabinet consider the increases in Council Tax, based on current tax base estimates, this would raise approximately £3.100m of additional funding for next year (made up of £2.050m general Council Tax, 1.99%, and £1.081m from the adult social care precept, 1%). The precise final level of any change in Council Tax will be confirmed in February 2022 following a decision by full Council.

The Mayor and Cabinet have already made decisions which result in options in 2022/23 and 2023/24 as shown in Table 7 below. The 2022/23 Efficiency Programme relating to prior years covers the following:

(1) Contractual changes
(2) Expenditure reduction
(3) Income growth
(4) Service provision – commissioning
(5) Corporate

Table 7: 2022-2024 Efficiency Programme as at February 2021

Efficiency Programme	2022/23 £m	2023/24 £m
2018/19 Full Year Effect of Budget Proposals	(0.482)	
2019/20 Full Year Effect of Budget Proposals	(0.500)	
2020/21 Full Year Effect Budget Proposals	(0.625)	(1.035)
Total Prior Year Budget Proposals	**(1.607)**	**(1.035)**

In addition to the planned savings, the Elected Mayor and Cabinet are developing options for consideration to balance the General Fund over the next four years of the Medium-Term Financial Plan. The aim is to do this via a range of strategic activity which includes:

a) Workforce Planning: changing the workforce over the next four years where the need to change aligns to people's plans and recruitment and skills needs;
b) Commissioning Planning: looking specifically at procurement, demand management testing joint provision with the NHS, direct service delivery and meeting need differently;
c) Digital Strategy: cash and efficiency benefits from investing in the Authority's priority projects and delivering the Digital Strategy; and
d) Asset Management Planning: investing capital to reduce revenue costs and improve the Minimum Revenue Provision position.

Initial proposals developed for the 2022-2026 MTFP are summarised in Table 8 below

Table 8 Draft Efficiency Programme 2022-26

Efficiency Programme 2022/23	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Workforce Planning	(0.600)	(0.500)	0.000	0.000
Commissioning Planning	(2.050)	(0.100)	(0.100)	(0.100)
Digital Strategy	(0.588)	(0.039)	(0.108)	(0.085)
Asset Management Planning	(0.250)	0.000	0.000	0.000
Total	**(3.488)**	**(0.639)**	**(0.208)**	**(0.185)**

Housing Revenue Account

There are a number of areas where options have been developed for consideration to help balance the HRA and provide resources to move towards meeting Cabinet and tenants' ambitions. These have centred around:

a) An ongoing review of bad debt provisions and the associated assumptions;
b) A review of levels of in-year contingency provided within both the Management and Repairs budgets;
c) Review of the approach to debt management within the Treasury Management Strategy for the HRA;
d) Analysing Government rent policy to see if there is any likelihood of action to curb rent increases;
e) Ensuring that the Authority continues to provide the funding necessary to meet the HRA elements of Cabinet's Affordable Housing ambitions;
f) Ensure that the Authority has the resources available to continue supporting a programme of training and development through apprenticeships and the Working Roots scheme; and
g) Identifying resources specifically to respond to the Council's declaration of a Climate Change Emergency, by undertaking sustainability measures within the housing stock that will reduce the Authority's carbon footprint and help move towards net carbon zero status.

2022-2027 Investment Plan Options

In addition to the agreed 2021-2026 Investment Plan, proposals for the 2022-2027 Investment Plan for consideration as part of Budget-setting are set out below:

- Addition of £0.250m for 2022/23 and £1.000m pa (total £4.250m 2022-27) to reflect the initial work underway in relation to Carbon reduction targets and enable progress to be made on this key priority;
- In view of the outcome of a number of building condition surveys, an additional £0.500m pa (total 2022-27 additional £2.000m) has been added to reflect identified requirements to maintain Health and Safety Standards; and,
- A new year 5 (2026/27) has been added to reflect rolling programme projects such as Asset Planned Maintenance, ICT refresh and sustained investment of £2m/annum on additional Highways Maintenance.

Dedicated Schools Budget - High Needs Block Dedicated Schools Grant

North Tyneside, like many local authorities both regionally and nationally, is experiencing an increase in the numbers of children with Special Education Needs and Disabilities (SEND). The number of children with an Education Health and Care Plan (EHCP) continues to increase and the complexity of the needs of those children and young people continues to grow. Responding to this increase in needs is creating pressure on the High Needs block of the Dedicated Schools Grant (DSG). The pressure within High Needs has continued to increase in 2021/22 with a forecast in-year outturn variance of £3.673m, bringing the estimated cumulative pressure to £12.553m. The indicative funding allocation for High Needs shows that the Authority will receive an additional £2.974m in 2021/22, however, it is not sufficient to address the underlying increase in need.

Where a local authority has an overall deficit on the DSG of 1% or more, it is required to submit a recovery plan to the Department for Education (DFE) setting out how it plans to bring the overall DSG account into balance. The Authority has a plan that is in place and is working with the DFE to ensure delivery and to bring the DSG back into financial balance over a five-year period.

1.5.8 General Fund Initial Budget Proposals

Cabinet's initial Budget proposals are based upon available information and judgements at the time of the writing of this report. There are several assumptions and judgements built into the figures presented that are outside the control of the Authority and need to be finalised. The impact of the Council Tax increases as set out in SR21 are as set out in Table 9 below.

Table 9: Draft Medium-Term Financial Plan incorporating savings proposals and implications of 1.99% General Council Tax Increase and a 1% Adult Social Care Precept.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial estimate of resources available	(164.542)	(170.417)	(170.950)	(172.949)
Spend assumptions	175.394	176.281	176.949	177.397
Gap	**10.852**	**5.864**	**5.999**	**4.448**
2022-2024 Efficiency Programme	(1.607)	(1.035)	0.000	0.000
2023-2026 Efficiency programme	(3.488)	(0.639)	(0.208)	(0.185)
Revised Gap	**5.757**	**4.190**	**5.791**	**4.263**
1.99 % Council Tax	(2.150)	(0.061)	(0.437)	(0.590)
1% ASC precept	(1.081)	0.000	0.000	0.000
Revised Gap	**2.526**	**4.129**	**5.354**	**3.673**
Cumulative Gap	**2.526**	**6.655**	**12.009**	**15.682**

These initial Budget proposals are subject to further review and consultation before they can be confirmed. The information to be assessed and finalised includes:

- The overall impact of the Spending Review 2021;
- The Provisional and Final Local Government Finance Settlement announcements for 2022/23, including capital announcements and specific grants, including the Dedicated Schools Grant (DSG);
- Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2022);
- Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority Transport Levy (due February 2022);
- Tyne and Wear Joint Service Budgets (due January/February 2022); and
- Consideration of the impact of the economic climate on the residents of the Borough and Council Taxpayers.

Therefore, as some external announcements are still to be received, it is recommended that Cabinet authorises the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals.

1.6 Decision options:

Option 1

Cabinet can agree the initial proposals set out in this report.

Option 2

Cabinet can suggest that further / different options are considered by the Senior Leadership Team and be reported back to Cabinet for further consideration.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Due to external information still to be received, Cabinet is not able to finalise setting its proposed Council Tax level for 2022/23 in relation to the General Fund. This report will form the basis of Budget engagement and scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year, hence the authorisation recommendation referred to in paragraph 1.6 above.

1.8 Appendices:

Annex 1 2022-2026 Financial Planning and Budget Process – Cabinet's Initial Budget Proposals

Appendix A	2021-2025 Our North Tyneside Plan
Appendix B(i)	2022-2027 Investment Plan Summary
Appendix B(ii)	2022-2027 Housing Investment Plan
Appendix B(iii)	Prudential Indicators 2022-2026
Appendix B(iv)	Capital Investment Strategy
Appendix C	2022/23 Treasury Management Statement, Annual Investment Strategy and Credit Criteria
Appendix D	2022/23 Financial Planning and Budget Timetable of Key Future Decision Milestones
Appendix E	Glossary of Terms
Appendix F	HRA Business Plan 2022-2026
Appendix G	HRA Financial Plan, Reserves and Contingency Movement 2022-2026
Appendix H	Treasury Management Practices (TMPs) 2022/23

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1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- 2022-2026 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 20 September 2021. The report items are as follows:

https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=426&Ver=4

- CIPFA local authority reserves and balances;

http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/laap-bulletins/laap-99

- 2021/22 Financial Management Report to 30 September 2021 – Cabinet 29 November 2021;

https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=429&Ver=4

- Autumn Budget and Spending Review 2021;

https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

The report also refers to other documents which are available at the office of the author:

- 2022/23 Efficiency Business Cases;
- Constitution; and
- Annual Governance Statement.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2022/23 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant, Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to closely examine the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource planning period.

The report highlights that at this stage a further £5.757m of savings are required to balance the 2022/23 Budget, and over MTFP period savings of £15.632m are required. The assumptions leading to these forecasts are likely to change when the provisional Local Government Financial Settlement is announced. It is currently unclear if a 1-year or 3-year settlement is to be expected.

Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2022-2026, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014. A provisional statement to Council by the Chief Finance Officer is included in the Annex to this report.

2.2 Legal

This report, setting out the 2022-2026 Financial Planning and Budget; Initial Cabinet Proposals, has been prepared in compliance with the Authority's Budget & Policy Framework Procedure Rules contained in the Authority's Constitution. As stated in the body of the report, once approved by Cabinet the initial proposals will be submitted to the Overview, Scrutiny and Policy Development Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet in February 2022 so that the review can be considered by Cabinet prior to the proposals for 2022-2026 Financial Planning and the 2022/23 Budget being submitted to full Council for Approval.

In accordance with legislative requirements and the Authority's Budget and Policy Framework decisions as to the Authority's Budget is a matter for full Council.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Senior Leadership Team, the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

The Authority is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process.

The Authority's overall approach to engagement ensures that the public have opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members and through activities such as the Big Community Conversation. Due to the restrictions of the Covid Pandemic our face-to-face engagement has been limited but we have increased the amount of online engagement which included the first ever virtual State of The Area event and interactive engagement regarding the North Shields Master Plan.

In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2022/2023 Budget Engagement Strategy and this is available on request.

2.4 Human rights

All actions and spending plans contained within the Budget are fully compliant with national and international human rights law. For example, Article 10 of the European Convention on Human Rights provides for a qualified right to freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas without interference by public authority'. Article 8 of the Convention states that everyone has the qualified right to respect for private and family life and their home.

2.5 Equalities and diversity

In undertaking the Budget-setting process the Authority's aim will always be to secure compliance with its responsibilities under the Equality Act 2010 and the Public Sector Equality Duty under that Act.

To achieve this an Equality Impact Assessment (EIA) has been carried out on the Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements will be subject to EIAs (Equality Impact Assessment), which will be informed by the findings of the Budget Engagement. A cumulative impact assessment of all of these will also be undertaken prior to Cabinet in January 2022 and will be made available to both Cabinet and full Council.

2.6 Risk management

Individual projects within the Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

The Authority has in place a range of services that promote the reduction of crime and disorder within the Borough and are funded through the annual Budget and are included in the Medium-Term Financial Plan. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

The Our North Tyneside Plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Borough's carbon footprint." A number of the proposals will contribute to this including those to reduce the Authority's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

• Chief Executive	X
• Directors(s) of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

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2022-2026 Financial Planning and Budget Process:

General Fund Revenue Budget, Housing Revenue Account Budget, Dedicated Schools Grant, Investment Plan and Treasury Management

North Tyneside Council

INDEX

1. Introduction

1.1.1. In setting the Budget for the upcoming and future financial years it is crucial that the resource allocations align with the overall vision and strategic priorities of the Elected Mayor and Cabinet. Medium-term financial planning is fundamental in order to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term.

1.1.2. The Authority is legally required to set a balanced Budget for the General Fund for 2021/22 to meet statutory duties and provide services such as social care and environmental services. For the HRA, the Council Taxpayer cannot subsidise those living in social housing and the rents and service charges paid by the tenants cannot be used to fund unrelated Council services. It is also illegal for an authority to budget for a deficit in its HRA or use HRA reserves for General Fund expenditure.

1.1.3. The duties and responsibilities imposed on local authorities through the Local Government Act 2003 are covered in sections 7 and 8, which covers the financial risks, risk assessment and actions necessary to mitigate against the risks posed within the Budget proposals. The Act requires Members and officers to consider the Chief Finance Officer's report on the robustness of the Budget and the adequacy of the Authority's financial reserves.

2. Our North Tyneside Plan

2.1.1 The Our North Tyneside Plan 2021-2025 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. Since 2015 the Authority has worked to a clear set of priorities through the Our North Tyneside Plan. These priorities have formed the basis of the Framework for COVID-19 Recovery in North Tyneside.

2.1.2 On 23 September 2021, Council approved the updated Our North Tyneside Plan, which was refreshed following the Mayoral election on 6 May 2021 to reflect the policy priorities of the incoming administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

2.1.3 The Our North Tyneside Plan is structured in five key themes and each theme has a clear set of policy priorities as set out below:

- A thriving North Tyneside
  - We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the Borough and ensure that regeneration delivers ambition, opportunity and benefits for all our residents.
  - We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the Borough.
  - We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job.
  - We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents.
  - We will continue to be the destination of choice for visitors through the promotion of North Tyneside’s award-winning parks, beaches, festivals and seasonal activities.
  - We will reduce the number of derelict properties across the Borough.
  - We will review how the Authority purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability.

- A family-friendly North Tyneside
  - We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic.
  - We will provide outstanding children’s services, events and facilities so North Tyneside is a great place for family life.
  - We will ensure all children are ready for school including through poverty proofing for the school day – giving our kids the best start in life.

- A caring North Tyneside
  - We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic.

- We will work with the care provision sector to improve the working conditions of care workers.
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless.
- We will support local community groups and the essential work they do.
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making.

- A secure North Tyneside
  - Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour.
  - We will continue to invest £2m per year in fixing our road and pavements.
  - We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside.
  - We will tackle health and socio-economic inequalities across the Borough including through our Poverty Intervention Fund to tackle food poverty; and
  - We will provide 5000 affordable homes.

- A green North Tyneside
  - We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes.
  - Council environmental hit squads will crack down on littering.
  - We will secure funding to help low-income households to install low-carbon heating.
  - We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast.
  - We will publish an action plan of the steps we will take and the national investment we will see to make North Tyneside carbon net-zero by 2030.

Performance against the priorities in the Our North Tyneside Plan

2.1.4 Our North Tyneside Plan 2021-2025 was approved on 23rd September 2021 by Council, following the Mayoral Election on 6th May 2021. A set of performance measures are being developed to monitor the progress of the new themes and priorities, which will be reported to Cabinet and Overview and Scrutiny Policy Development Committee in March 2022. An overview of current performance against the key themes for the Our North Tyneside Plan is set out below:

A thriving North Tyneside

- The 15 year Ambition for North Tyneside continues to successfully deliver a broad range of regeneration improvements across the Borough. Achievements in the last year include:-
  - Cabinet approved North Shields Masterplan on 25th January 2021 to regenerate the town centre and Fish Quay. Projects include enhancing the appearance of key areas, creating a new transport hub and interchange and town square to host events, markets and performances, improved walking and cycling routes in the town centre, a new cultural quarter based around a traffic calmed Howard Street and riverside walkway linking the town centre to the Fish Quay.
  - The restoration of Grade 2 listed Georgian terrace on Northumberland Square completed and 28 new family homes delivered.

  - The former Swan Hunter site was sold in December 2020.
  - Northern Promenade Phase 1 improvement works completed renovating Rendezvous Café, public toilets and car park.
- Work currently underway include:-
  - Northern Promenade Phase 2 improvements works to complete the refurbishment of the promenade dealing with the original surface treatment and the remains of the former beach huts.
  - Northern Promenade Phase 3 improvement works to link the path at Briar Dene to the St Mary's Island Promenade upgrading the current informal path on the seaside of the Mini Golf Course.
  - A 15 Year Master Plan and investment programme for the Segedunum site is being developed, which will underpin future business planning and will help grow the visitor offer making it a more sustainable entity.
  - Further investment is planned in Killingworth Lake to build on the investment in Flood Defences and broaden and expand the visitor offer by further developing facilities and unlocking additional opportunities and activities. Proposed investment will include a Multi-Use Games Area, a new café opportunity and a health and fitness trail.
  - Further development of the Borough's Wagonways to improve connectivity, take a consistent approach to surfacing and treatment and promote the heritage of the network.
- The COVID-19 pandemic has had a significant impact on both North Tyneside businesses and residents from an economic point of view, mirroring the national picture. The number of employments furloughed on the government's Job Retention Scheme peaked in July 2020, at 28,000 employments, mostly in hospitality, construction, arts, entertainment and recreation, which has reduced to 3,100 employments on furlough at the end of August 2021 following lockdown restrictions easing. The number of Universal Credit claimants living in the Borough increased by 90% following a sharp increase at the beginning of the COVID-19 pandemic. In September 2021, there were 18,837 Universal Credit claimants in North Tyneside.
- The number of registered businesses in North Tyneside has grown every year since 2011. There were 5,345 businesses registered in the Borough at the beginning of 2021. However, during 2021 the number of business start-ups[1] have reduced by 24% at the end of September 2021 compared to September 2020. Conversely job vacancy advertisements have nearly doubled at the end of September 2021 compared to the previous two years. There has been a significant increase in the number of jobs advertised by the NHS during 2021.
- Leisure services were impacted significantly by national lockdowns and local restrictions during the COVID-19 pandemic, but services were delivered in a Covid secure way in line with government guidance. A Click and Collect was expanded across the library services.
- Three beaches in North Tyneside have been recognised by Keep Britain Tidy to retain their Blue Flag beach status, the internationally recognised gold standard for beaches. In addition, King Edwards Bay, Tynemouth Longsands and Whitley Bay have also been awarded Seaside Awards as well for excellence.
- All seven North Tyneside parks have retained their Green Flag awards from Keep Britain Tidy for meeting the highest environmental standards and offering good visitor facilities; Rising Sun Country Park, Benton Quarry, Marden Quarry,

[1] Source - BankSearch Information Consultancy Ltd

Killingworth Lakeside Parks, Wallsend Parks, Northumberland Park, and Chirton and Redburn Dene Parks.

A family-friendly North Tyneside

- In North Tyneside, 9 out of 10 children attend a school that is ranked as Good or Outstanding.
- As a result of the impact of the COVID-19 pandemic on examinations, the latest pupil achievement results was last captured in 2019. Headlines are;
  - 72% of children reached a Good Level of Development at the end of the Reception year in 2019, which has improved by 49% since 2013 and is in line with the national average (71.5%).
  - 67% of pupils achieved at least the expected level in reading, writing and mathematics (combined) at key stage 2. This is 2% above the national figure although a one percentage point decrease from 2018.
  - At key stage 4 attainment in 2019 is lower than the national average: 64.1% of students achieved 4 or above in English and Maths compared to the national average of 64.9%.
- At the end of August 2021, 3.55% of 16-17-year olds are classed as NEET (Not in education, employment or training), which is in line with previous years and significantly lower than the North East rate at 5.29%.
- During 2021, the number of Children in Care has increased. There were 315 in September 2021 (75 per 10k population), compared to 294 (70 per 10k) in September 2020, which is above the England average (67 per 10k), but significantly better than the North East average (108 per 10k). There has been an increase in the number of contacts, referrals and Children in Need during 2021.
- Children's services won a national award for Workforce Transformation at the MJ Achievements Awards 2021, recognising excellence in local government services.
- North Tyneside's Youth Justice Service was rated 'outstanding' by HM Inspectorate of Probation. North Tyneside Council is one of only two local authorities judged as 'outstanding' for both social care and youth justice.

A caring North Tyneside

- In March 2020, the Authority set up a Local Support Hub with the Good Neighbour Project to support residents identified by the NHS and general practitioners as clinically extremely vulnerable and a higher risk of serious complications from Covid 19. There were 15,000 residents identified as clinically extremely vulnerable and the Local Support Hub, in partnership with VODA, has provided regular support with shopping, prescriptions and welfare calls to 2,000 clinical extremely vulnerable residents advised to "shield". The Local Support Hub was "stood down" in July 2021 in line with the Government's Roadmap for National Lockdown Easing.
- The number of people accepted as priority homeless increased during 2020/21, with 72 people accepted as homeless in 2020/21 compared to 56 during 2019/20, however homeless acceptances do include all rough sleepers who were placed in emergency accommodation throughout the COVID-19 pandemic. The Coronavirus Act 2020 gave social and private tenants more protection from eviction from 29 August 2020. However, the protection for renters concluded at the end of September 2021, which could potentially lead to an increase in residents presenting as homeless.
- On 24 May 2021, Cabinet approved An Inclusive Economy in North Tyneside, providing the framework for a range of projects and activities to make North

Tyneside and its economy inclusive for all by focussing on seven fundamental areas; Education, Employment, Safety, Social equity, Housing, Connections and Environment. The strategy aims to remove the barriers, such as poverty and deprivation, residents with protected characteristics and the impact of the COVID-19 pandemic, which makes it difficult for people to take up employment and training opportunities and empower people with the skills and resources they need to take ownership of their future and secure good jobs with living wages.

A secure North Tyneside

- North Tyneside is one of the safest areas of the country to live, work and visit with comparatively low levels of crime. For the majority of residents Environmental Crime and ASB is not an issue, however the perception of feeling safe after dark is lower in some areas of the Borough. The Authority continues to work in partnership with key services represented on the Safer North Tyneside Partnership, which is vital to the Authority's commitment to address community and public safety, crime and disorder and environmental crime issues. In October 2020, Cabinet agreed the new Environmental Crime and Anti-Social Behaviour Policy, which provides a consistent approach and framework to tackle ASB and environmental crime. The policy ensures that any enforcement action is clear, concise, proportionate, consistent and targeted to ensure a responsive, effective and value-added service.
- During 2021, there has been an increase in the number of claimants for the Council Tax Support Scheme, from 17,172 at the end of March 2020 to 17,543 at the end of March 2021.
- The impact of the COVID-19 pandemic on health and socio-economic inequalities in North Tyneside was analysed and provides the evidence base of the development of a multi-agency Health and Wellbeing Strategy.
- In September 2020, Cabinet agreed the approach and initiatives funded by the Poverty Intervention Fund to support key groups impacted by poverty; children, older people and families with children. Initiatives include-
    - Poverty proofing the school day
    - Benefits take-up campaign and support
    - School appropriate clothing
    - Holiday food
- The refreshed Our North Tyneside Council Plan 2021-2025 increased the ambitious target to create 4,000 affordable homes to 5,000 new homes. At the end of September 2021, 1,697 affordable homes have been completed so far since 2014/15.

A green North Tyneside

- During the COVID-19 pandemic, waste collection performance was challenging as more residents have spent more time at home, which has led to an increase in the amount of waste collected by the Authority, rather than through commercial collections from businesses and offices. A large number of residents have worked from home and some businesses have had to stop operating during periods of national lockdown and local restrictions. During 2020/21, the amount of waste collected boroughwide reduced by 7,000 tonnes compared to the previous year and the amount of waste collected per household increased by 9%. The proportion of reuse, recycling and composting dropped slightly by 1% to 38% and amount of waste sent to landfill in year was 9%.

- Consultation on a scheme to create a continuous segregated cycle lane along the length of the North Tyneside Coast between St Mary's Lighthouse and North Shields Fish Quay/Town Centre is underway following a successful pilot scheme during 2020.
- Almost £9m funding secured to provide an additional 14 kilometres of cycle routes and improve active travel and public transport.
- At the end of September 2021, the Authority's carbon footprint has decreased by 52% since 2010/11, ahead of the target to reduce carbon by 50% by 2023. In July 2019 North Tyneside Council declared a Climate Emergency and set the target to become carbon neutral by 2050, however this target was brought forward in the refreshed Our North Tyneside Council Plan to make North Tyneside carbon net-zero by 2030. A Climate Emergency Board has been established to oversee a wide range of projects. Project highlights include:-
  - Council approval for over £4.3m funding to convert almost 20,000 street lights to energy efficient LED, which will complete the street lighting LED programme.
  - The refurbishment of Killingworth Depot to deliver a fabric first approach, installation of efficient electrical and mechanical equipment, and installation of low carbon heating. Funding secured from the North East Local Enterprise Partnership Energy Accelerator programme for the development of a Heat Network feasibility study for the Killingworth depot site and surrounding commercial, industrial and housing units.
  - £4.3m funding secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in over 500 homes with low-household incomes.
  - £3.2m funding secured from the Public Sector Decarbonisation Grant to install low carbon heating and energy efficiency measures in four of the Authority's most carbon intensive buildings.
  - Cabinet approved a revised North Tyneside Transport Strategy which aligned to the new Our North Tyneside Plan carbon net-zero 2030 policy ambition.
  - The Authority has developed its first ever Zero Emission Vehicles (ZEV) Strategy and this is presented to Cabinet for approval on 29 November 2021.
  - Increased the number of electric and ultra-low emission vehicles in the Authority's fleet. Secured funding for, and completed, an independent review of the Authority's fleet and options for decarbonisation. Trialled the use of an electric refuse collection vehicle.
  - An increased number of energy efficiency and solar PV installations have been built into the draft Housing Capital Plan to be considered as part of the 2022-2026 Financial Planning and Budget Process.
  - Securing funding to develop a North East Community Forest across North Tyneside, South Tyneside, Newcastle, Gateshead, Sunderland and Durham. This will provide 500 hectares of new woodland and canopy cover across the community forest area by 2025.

3. General Fund

3.1 Council Tax Support

3.1.1 In 2013/14, the national Council Tax Benefit scheme came to an end, and Local Council Tax Support was introduced in its place. At the same time, funding was transferred into the Settlement Funding Assessment (SFA) (comprising Revenue Support Grant and Business Rates) after being cut by over 10%. As this funding is not separately ring-fenced within the SFA, it has effectively been cut at the same rate as the Authority's SFA has been cut for each subsequent year.

3.1.2 This has put significant additional strain onto the General Fund Budget and resulted in the Authority, as well as many other local authorities, seeking to collect some Council Tax from working age people who previously received 100% Council Tax Benefit.

3.1.3 Under national rules pensioners are protected from any capping of maximum awards to ensure they are not subject to a reduction in Local Council Tax Support and may still be awarded reductions of up to 100% of their Council Tax liability.

3.1.4 Council Tax Support under the current scheme for working age claimants is capped at 85% of an individual's Council Tax liability, meaning that working age people are charged 15% of their Council Tax before they receive Council Tax Support. There is no proposed change to the cap being considered for 2022/23.

3.1.5 It is noted that COVID-19 led to an increase in the numbers of claimants of Local Council Tax Support. This is a direct cost to the Authority as it ultimately reduces the Council Tax base as Council Tax Support is applied as a discount.

3.1.6 The financial risks the Authority is currently facing is such that there are no changes proposed to increase the cap in the current scheme. Options have been considered, however, as to how the Authority can provide further support to those residents who continue to be affected by the Pandemic. Currently working age claims can only be backdated 4 weeks where a claimant delays making a claim and has good cause for delaying; Cabinet is proposing that this is increased to 26 weeks to ensure that working age claimants do not lose out on entitlement from 2022/23; this will help some of our residents secure the support they need.

3.2 Business Rates

3.2.1 The level of Business Rates is set by the Government and is based on the rateable value of non-domestic properties across North Tyneside. Prior to April 2013 the Authority had no direct financial interest in the collection of Business Rates and acted purely as an agent of the Government. However, the Authority currently retains 49% of the business rates it collects and pays the other 51% over to the Government (50%) and the Tyne and Wear Fire and Rescue Authority (1%). This was due to the introduction of the Business Rate Retention Scheme. This resulted in a direct financial incentive to maximise the amount of business rates collected in North Tyneside.

3.2.2 A number of announcements were made as part of the October Spending review that have a direct impact on Business Rates for 2022/23 and beyond and are seen as measures needed to continue to support business recovery from the impact of the COVID-19 pandemic. These include:

- The planned increase in the business rates multiplier has been cancelled. Freezing the multiplier in 2022-23 is worth £4.6bn over the next five years nationally (about £900m each year). The multiplier was due to be increased by 3.1%, in line with the September increase in the Consumer Prices Index (CPI) but instead the small business multiplier will remain at 49.9p in 2022/23. Local authorities will receive full compensation in the usual way, i.e. via a Section 31 Grant.

- There will be a 50% discount for retail, hospitality and leisure sectors (up to a maximum of £110,000) in 2022/23. Again, local authorities will be fully funded for the additional costs of the discount.

- Other reforms to business rates were announced by the Chancellor, including more frequent revaluations (from 2023), as expected, and investment reliefs to encourage green investment and premises improvements (any increase in rates payable delayed for 12 months) (worth an estimated £750m nationally).

These announcements should have no direct effect on the financial planning assumptions for the Authority as any loss of income will be fully compensated for.

3.2.3 The Authority continues to carry the risk that business rates could be impacted in the event of business closures or increases in the number of properties claiming empty property relief where businesses either cease trading or seek to take advantage of changed working patterns to reduce property costs. However, on a positive note, the Authority has not seen a material reduction in the Rateable value, nor a surge in appeals against rateable values to date.

4. Housing Revenue Account (HRA)

4.1 Introduction

4.1.1 The Housing Revenue Account is required to produce a 30-year Business Plan, however, a four-year Medium-Term Financial Plan (MTFP) for revenue has been produced which brings this in line with the same MTFP period as the General Fund.

4.1.2 Whilst the current economic situation presents significant challenges, the Authority is still able to produce an MTFP for the HRA, which enables over £294m of revenue spend over the next 4 years to manage and maintain the housing stock and meet the aspirations of Cabinet and tenants.

4.1.3 As well as protecting the significant investment in the service delivered via revenue and the MTFP, the HRA also represents a significant element of the Authority's overall Investment Plan. In line with the key priorities of Cabinet outlined above, over the next 5 years a total of £121.717m has been provided to enable the existing stock to be maintained at the Decent Homes Standard. In addition, in line with the Mayor and Cabinet's Affordable Homes pledges, a total of £29.930m has been identified to fund the new build schemes identified in the Affordable Homes Plan.

4.1.4 The proposals to resource the revised MTFP and 30-year HRA Business Plan will be subject to the full engagement process, and consultation over the choices available to ensure the objectives can be achieved.

4.2 Background and Policy Context

4.2.1 The Authority is responsible for managing just under 14,500 homes. Rents and service charges provide most of the resources available to the HRA, which is then used to fund the management and maintenance of the housing stock. This income and expenditure are accounted for in a ring-fenced account as required by law under the Local Government and Housing Act 1989. Although accounted for separately, the HRA forms an intrinsic part of the Authority's overall vision and Council Plan, and this report sets the context within which the HRA Financial Plan and Budget proposals are set.

4.2.2 The Authority is still facing unprecedented times as it continues to transition from recovery to a 'business as usual' state following the COVID-19 pandemic. In line with all areas of operation of services housing has had to adapt and adjust to survive and continue providing key services to tenants. To date in 2021/22 the impact in cost and service delivery terms within housing has been less severe than last year, naturally due to the easing of lockdown, and the gradual return of more staff to the workplace. The budget proposals for 2022/23, where relevant, have sought to ensure that the impact of COVID-19 is minimised, and that resources are identified to cover increased supply chain costs where there may be material shortages and delays.

4.2.3 The Authority is still facing the impact of the continued roll-out of Universal Credit and other welfare reforms, which brings greater pressure on tenants in terms of managing their finances, and on the Authority's income collection teams who have a responsibility to try and help sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears, all of which could have a direct impact on the HRA, and the quality of the services that are then provided.

4.2.4 Following the removal of the HRA debt cap in 2018, it is the responsibility of the Authority to determine the level of any unsupported borrowing it wishes to undertake to fund newbuild or decent homes work, in line with the Prudential Code, which means applying the key tests to ensure that any debt taken on is “prudent, affordable and sustainable”. The approach to debt management is reviewed yearly and is discussed in more detail below.

4.2.5 April 2019 saw the Housing Property and Construction Service established within Environment, Housing and Leisure. The first year of operation was highly successful and saw circa £40m of works delivered across a range of areas across all the Authority’s housing stock and public buildings portfolio. The benefits identified from the benefits realisation process were baked into the HRA Business Plan in previous years and continue to support core services and adding value by funding initiatives such as the new tenant priorities budget within Housing Repairs.

4.2.6 2020/21 and the COVID-19 Pandemic created new challenges for the Housing Property and Construction Service, as it was embarking on an even more ambitious programme to deliver nearly £60m of works in 2020/21. As the Authority emerged from the first lockdown period, services re-started looking at new COVID-secure ways of working in order to keep everybody safe, and certain types of works had to be deferred because of social distancing. In financial terms, every scheme is looked at individually to see what safety and social-distancing measures are required. These issues have been considered in the sums provided to fund the Authority’s Housing Asset Management Plan. As well as COVID-19 considerations, a full review of the Asset Management Plan has been undertaken, and further work is ongoing to continue to improve, and create a service that best meets the ongoing needs of tenants and residents whilst delivering greater efficiency and improved value for money.

4.2.7 All of these challenges continue to be considered as part of the updating of the 30-year plan which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process, a four-year revenue plan has been developed in line with the approach adopted for the General Fund. Cabinet is advised that projections beyond 2022/23 are indicative at this stage. A five-year timeframe is being proposed for the Housing Capital Investment Plan once again in line with the 2022-27 General Fund Investment Plan.

4.2.8 HRA tenants will be consulted on these initial proposals, and the final HRA Budget will be presented to Cabinet in February 2021. At that meeting in February, Cabinet will be asked to approve the HRA Business Plan and Budget for 2022/23, including the housing rent, garage rent and service charge changes along with the Housing Capital Investment Plan.

4.3 Key Objectives and headline assumptions for the Housing Service

4.3.1 The over-riding objectives for the housing service are in line with the agreed Housing Strategy and, as far as possible within financial constraints, are to:

1. Ensure the application of the principles of economy, efficiency, and effectiveness;
2. Continue to invest in the existing stock to maintain the Decent Homes Standard;
3. Maintain and develop effective engagement with tenants;
4. Continually monitor the impact of changes such as Universal Credit and other welfare reform on tenants and ensure they have the appropriate support;
5. Work with private landlords to refurbish stock where appropriate;
6. Undertake environmental improvements to estates to ensure that they are clean and safe;
7. Support the delivery of Affordable Homes across the Borough;
8. Specifically increase the delivery of new-build homes where practicable;
9. Create sustainable tenancies and maximise rental income collection;
10. Undertake sustainability measures across the housing stock as appropriate and affordable to help address the Climate Change Emergency;
11. Continue to invest in the Authority's Apprenticeship programme to ensure that it develops the workforce to sustain and improve housing services in the future;
12. Continue to support the Working Roots programme to give some disadvantaged young people the chance to learn new skills, gain meaningful qualifications, and in some cases embark on a career.

4.3.2 The key headlines for the HRA Budget for 2022/23 are as follows:

1. Rent and Service Charges

A) Rent Policy - April 2020 saw the re-introduction of rent increases based on the Consumer Prices Index (CPI) plus 1% for at least the next 5 years. The baseline for 2022/23 is the CPI rate as of September 2021 which was 3.1%. Hence, the rent increase proposed for 2022/23, to be in line with Government policy, is 4.1%. The CPI rate had been steadily falling since the start of the COVID-19 Pandemic and hit a low in August 2020 of 0.2% following the withdrawal of the "Eat Out to Help Out" scheme which dampened the inflation rate. Since then, the inflation rate has started to steadily increase, with experts predicting further increases with the potential for inflation to reach between 4% and 5% by the end of this year. The impact of this on the HRA Business Plan is to increase forecast rental income, however it also brings with it the spectre of increased costs as well.

The package of measures within these budget proposals should be sufficient to ensure the HRA has a balanced plan over 30 years, and be able to support the Cabinet and Mayoral priorities of:

- a commitment to deliver more affordable housing by increasing the resources available for the HRA element of the Affordable Homes strategy;
- Maintaining the tenants' priorities budget within repairs to focus on key areas of need, those initial areas of focus being pest control, empty homes standard and property health checks;
- Strengthening the resources available to support tenants in coping with the changes arising from welfare reform and the continued roll-out of Universal Credit;
- Ensuring that existing housing stock is maintained to the Decent Homes Standard;

- Identifying resources to undertake sustainability measures across the housing stock to start to tackle the Climate Change Emergency declared by the Authority;
- Continue to support the apprenticeship programme.

B) It is proposed to increase service charges for 2022/23 in line with the CPI element of the rent increase. For most service charges for 2022/23 the increase will be 3.1%.

C) A review of the garage letting process was concluded and implemented in 2019/20 which resulted in a phased approach over two years to harmonise garage rents. This exercise was completed this year, so for 2022/23 it is recommended that garage rents will increase in line with service charges being based on CPI which will see a 3.1% increase.

D) The Authority will continue to move to target rent when properties become empty.

E) An initial review of service charges attached to North Tyneside Living schemes has been undertaken, and service charges attached to those schemes will be increased in line with CPI i.e. 3.1%. However, as the schemes continue to become established and fully operational, the Authority is endeavouring to gather more accurate trend data, and ensure that service charges reflect actual costs as closely as possible.

F) The Authority also continues to monitor the impact of welfare reform changes. Service charges on affordable rent properties are not exempt, as the 80% of market rent calculation includes any service charges. The importance of ensuring that tenants are kept fully informed of the requirements of the new scheme is fully recognised and ensuring that they are supported in managing the impact of change. In North Tyneside Universal Credit numbers continue to increase, at the end of March 2021 there were 3,306 tenants on Universal Credit with arrears totalling £2.689m, by the beginning of November this number had risen to 3,716 with total arrears of £2.947m. The Authority had already allocated additional resources to support those tenants affected by the changes in previous year's Budgets. The COVID-19 Pandemic had delayed recruitment, but most posts have now been filled, and tenants are getting more of the support they need. This has been evidenced by a slow-down in the rate at which arrears have been increasing, albeit they are still increasing overall. Members will continue to be updated of any significant further welfare reform changes as they become clear.

G) The policy of tenants' weekly rent being spread over 52 weeks will continue, although for those residents that wish to continue paying over 50 weeks this option is available.

2. The Housing Capital Investment Plan 2022-2027

The Housing Capital Investment Plan has been refreshed based on the revised Asset Management Strategy, along with revised sums identified to fund new build proposals. The key assumptions that have been made in developing the Housing Capital Investment Plan for 2022-2027 are as follows:

A) Acknowledging the impact of the COVID-19 pandemic, recognising that there will need to be additional consideration given to ensure all COVID-secure measures are followed in the workplace and out on site, which may require different welfare arrangements depending on the site, additional PPE, sanitisers etc.

B) Review of Housing Investment Plan spend based on maintaining Decent Homes, continuation of a fencing programme and other core items included in the refreshed Asset Management Plan, would see core spend of £121.717m over the next 5 years 2022-27, plus new build spend of £29.930m based on continuing the existing approach to HRA new build within Cabinet's overall Affordable Homes Strategy; and

C) Spend for 2022/23 of £26.724m including £3.930m for the continuation of a new build / conversion / acquisition council house programme.

These figures are based on maintaining the key principles of Cabinet's existing approach to debt management and self-financing.

3. Housing Repairs Budget 2022/23

Cabinet was presented two years ago with a proposal to create a Tenant Priorities budget from some of the savings realised from the creation of the Housing Property and Construction Service. A significant amount of work was undertaken to look at tenant priorities, and a list of options for prioritising resource allocation was put forward, and for 2019/20 and 2020/21 the following were given priority:

- Improving the Empty Homes standard.
- Free pest control service for tenants, and
- Property health checks i.e. scheduled maintenance visits as opposed to reactive ones to properties identified as high maintenance.

These priorities were extended for a second year due to the delays caused by the pandemic. In the light of the positive reaction of tenants to the property health-checks and the improved Empty Homes Standard, it is recommended that these areas remain the focus of the tenant priorities budget for 2022/23, as the objectives remain key to meeting tenants' aspirations.

4. ICT Systems Review

2021/22 saw the start of a major exercise to fundamentally review all the Housing ICT systems currently in use across the service. Northgate has never been fully reviewed to assess its ongoing suitability and whether it needs to be replaced or upgraded. The original contract for the Accuserv system used to support HPC's activity is coming to an end and so it was critical that this was also reviewed. A key aim is to test the market and get as close as possible to a "unified" system that could meet most of the service's needs. This is a major project requiring dedicated resources along with a proper governance process to ensure success. Revenue and capital resources have been identified and put into the HRA Plan for a 4-year period starting in 2021-22 to enable this work to be carried out. The figures will be revised and confirmed as appropriate as project plans and the tendering process commences and develops.

5. HRA Unallocated Working Balances

Sustain unallocated working HRA balances at a minimum of £2.5m at this stage.

6. Right to Buy (RTB) Sales

RTB sales have increased significantly since the start of self-financing at the end of 2011/12.

Table 1: Right to Buy Sales 2011/12 to date

2011/12	30
2012/13	85
2013/14	122
2014/15	100
2015/16	135
2016/17	136
2017/18	158
2018/19	135
2019/20	120
2020/21	115
2021/22 to-date (Sept)	77

As part of changes the Government introduced in 2012/13, the Authority signed an agreement that allows RTB receipts above the levels assumed as part of self-financing to be retained if they are used to fund new build homes at a 30% contribution rate within 3 years. In the last 12 months these rules have been relaxed slightly to allow us up to 5 years to spend the money, and to use the funding at an intervention rate of up to 40%. This agreement has seen an additional £6.933m of Capital Receipts retained to the end of 2020/21, which has helped deliver £21.015m of new build schemes. The trend in RTB sales is reflected in the 2022/23 Business Plan profile for stock numbers.

7. Treasury Management Strategy (TMS) and the HRA Borrowing "Cap"

The HRA is an integral part of the Authority's TMS. When self-financing was introduced in 2012/13 all stock-retaining authorities had to decide on their approach to debt. Each had to either take on additional debt or have debt paid off, based on the assessed ability of the level of debt that their business plans could be expected to manage. For the Authority, this meant borrowing £128m of loans from the Public Works Loan Board to pay the allocated share of debt to the Treasury. Each authority was allocated a "cap" representing the maximum amount of debt that could be held by the HRA. This Authority was one of only a handful nationally where the debt held was above the "cap." Actual debt was £290.825m compared to the calculated cap of £270.585m but the Government "flexed" the cap to match the actual position.

All authorities were in different positions regarding actual debt held and the cap; most were below but many were at or near the cap which restricted their options. Each had to decide what debt and risk approach they would take to both fund investment in existing stock and potentially any new build opportunities. Cabinet agreed at this point to set aside money where possible to repay debt each year, to bring the overall debt holdings down below the cap. The recommended strategy was not to seek to repay all debt held over the initial 30 years. This approach enabled revenue surpluses to be created, which have been utilised to fund a programme of HRA new build spend totalling £21.015m to the end of 2020/21. By the end of March 2021, the Authority's actual HRA debt stood at £249.673m compared to the £290.825m "cap", and by March 2022 it is anticipated that the debt will drop further to £244.673m. The Authority has already created some headroom through the prudent approach agreed to its Treasury Management strategy.

The 2022/23 draft Budget proposals are based on the existing Cabinet agreed policy approach to debt. Last year there was a slight adjustment to the approach, as the rate at which debt is repaid was slowed down, in order to help fund a package of savings that countered the loss of an estimated £45m of rental income due to the low rate of CPI in September 2020. Based on the current approach to debt management it is estimated that up to a further £102m of debt could be repaid over the next 30 years, compared to £105m in the base model based on an assumed target 3% rent increase per annum.

The table below shows the reduction in HRA debt included in the current proposals.

Table 2 – Impact on HRA Debt 2022-52 of Revised Business Plan

Description	Debt Movement
	£m
Opening Self-Financing Debt	290.825
Opening HRA Debt 01/04/2022	244.673
Closing HRA Debt after 30 Years	142.226
Debt Repaid over 30 years	102.447
Debt Repaid from start of SF	188.378

8. Self-Financing and Depreciation

From 2017/18 the Government has required that all local authorities calculate a true depreciation charge as an actual cost to the HRA. The approach developed by this Authority calculates a simple depreciation charge based on splitting investment works across several component elements of a building and linking that to the way the Authority's properties are valued using several "beacon properties" i.e. a sample of properties which represent the different standard types of properties held by the Authority. The level of depreciation calculated using this method will be able to be contained within the amounts currently budgeted in the 30-year HRA Business Plan, and these sums are allocated directly to fund the Housing Capital Investment Plan.

4.4 HRA Summary Financial Plans

4.4.1 In summary, the HRA Business Plan modelled to create the draft proposals has the following key assumptions, most of which are based upon continuing with current Mayoral and Cabinet policy priorities:

- Additional rental income of CPI plus 1%, with a proposed increase for 2022/23 of 4.1%, with a long-term assumption based on CPI target equivalent to 3% per year.
- Garage rent and service charges will increase in line with CPI increases of 3.1% for 2022/23.
- The Tenant Priorities budget created last year will be maintained, particularly as much of the agreed work was halted during 2020/21 by the pandemic, and there has been a positive reaction to the approach being taken by tenants.
- Resources identified over the next 3 years to complete the full review of current ICT systems and produce an options appraisal of future needs for the service, and then procure and implement the agreed best solution.
- Continue supporting the Authority’s Apprenticeship programme and the Working Roots scheme.
- The base Capital Investment Plan has been refreshed based on an update of the Asset Management Plan and includes continuation of a new build programme in line with Mayoral priorities and the Affordable Homes Plan.
- Resources have also been identified to tackle the Climate Change Emergency declared by the Authority, to undertake a range of sustainable measures across the housing stock to reduce its carbon footprint.

4.4.2 The updated HRA Business Plan for 2022-27 contains nearly £30m to support the HRA new build programme over the next 5 years, whilst continuing to repay some debt. The impact of COVID-19 Pandemic and Brexit on interest rates and borrowing rates continues to be monitored to assess any potential impact on the HRA Business Plan. It is prudent that Cabinet maintains its borrowing policy at this stage, until more surety can be gained over future economic trends.

4.4.3 Appendix F shows the revised four-year HRA Business Plan 2022-26, and Appendix G splits those changes between Pressures and Growth, Efficiencies and Reserves and Contingencies. The HRA Business Plan for 2022-52 (available as a background paper) starts with an assessment of the budget monitoring position as of 30 September 2021, and the impact on HRA balances for this year. At that point, as is being reported to this meeting of Cabinet, the HRA is predicting an underspend of £0.381m against Budget for 2021/22, due to a combination of improved rental income forecasts and savings against Bad Debt Provision and Management Contingency. The impact of COVID-19 Pandemic whilst still being felt is not forecast to have anywhere near as significant a budgetary impact in 2021/22 as was experienced the previous year. This means that the opening balances feeding into the Business Plan as of 31 March 2022 are forecast to be £3.440m as shown in Appendix F.

The five-year Housing Investment Plan 2022-2027 is included within Appendix B (ii).

Appendix G also shows a further breakdown of the movement on Reserves and Contingencies which includes a contribution from reserves of £0.371m for 2022/23. It is not proposed to adjust contingency budgets in 2022/23 following a review and revision of the levels held for the 2021/22 budget, with separate provision made for inflation and pay awards of £0.663m for 2022/23 (including provision for increased material and subcontractor costs).

5. Dedicated Schools Grant (DSG)

5.1 <u>Background</u>

5.1.1 The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations 2018. The DSG funds those delegated budgets allocated to individual schools, nurseries (and other early years settings) and, high needs provision including special schools and alternative provision.

5.1.2 In September 2017, the Department for Education (DfE) published the response to the stage 2 National Funding Formula (NFF) consultation and confirmed the details of the NFF for the Schools block. In 2022/23, the DSG will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has their own funding formula.

The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities would continue to set a local formula to distribute funding to individual schools. However, in July 2018, as a result of the significant movement witnessed towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2019, the DfE confirmed that the transitional arrangements will continue into 2020/21 and probably 2021/22, with the expected move to “hard” NFF being likely in 2022/23. This has now been pushed back a further year with the “hard” NFF now expected in 2023/24.

5.1.3 In 2022/23, as in 2019/20 to 2021/22, the Authority will receive its DSG funding based on the DfE National Funding Formula. In July 2021, the DfE published indicative allocations under the NFF at school level using October 2020 census data. This shows the funding level for each mainstream school based on the NFF using the 2022/23 Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF) with October 2020 pupil numbers.

This information is for planning purposes only as local formulae used by each local authority can still vary from the NFF within the guidance issued by the DfE. The DSG allocation to the Authority for 2022/23 will be published in December 2021 using the October 2021 census results.

5.1.4 The Schools NFF for 2022/23 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2022/23 are:

- The minimum per pupil funding levels will be set at Primary £4,265, Key Stage 3 £5,321 and Key Stage 4 £5,831;
- The funding floor will be set at 2% per pupil, in line with forecast inflation to protect per pupil allocations for all schools in real terms. This minimum increase in 2022/23 allocations will be based on the individual school’s NFF allocation in 2021/22;
- Schools that are attracting their core NFF allocations will benefit from an average increase of 3% to the formula’s core factors; and
- Growth funding will be based on the same methodology as in 2021/22, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2021/22 Schools block allocation.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2022/23 must be between +0.5% and +2.00%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their Schools Forum approval. To transfer more than this, or any amount without their Schools Forum approval, they will have to make a request to the DfE, even if the same amount was agreed in the past two years.

5.1.5 The spending Review 21 confirmed another £4.7bn for core schools' budget nationally by 2024-25, which brings a suggested cash increase of £1,500 per pupil by 2024-25 compared to the 2019-20 Spending Review. Details of expressly what this mean for schools for 2022/23 remains outstanding so the following paragraphs are indicative based on current information.

5.1.6 The North Tyneside illustrative allocation for the Schools block, Central Schools Services block and High Needs block in 2022/23 (using census 2020 i.e. static pupil numbers) is shown below. The Authority has yet to receive confirmation of the Early Years block allocation; therefore, this has not been adjusted and remains at the same funding level as received in 2021/22 until further information is received from the DfE:

Table 3: Indicative Dedicated Schools Grant funding allocation 2022/23

	2022/23 Schools block units of funding (£'s)	**School Block**	**CSS Block**	**Early Years Block**	**High Needs Block**	**Total Indicative DSG 2022/23**
		£m	**£m**	**£m**	**£m**	**£m**
Primary per pupil rate (£)	£4,539					
Secondary per pupil rate (£)	£5,988					
Indicative DSG Settlement		**140.0**	**1.7**	**13.9**	**28.8**	**184.4**

5.2 <u>Schools Block</u>

5.2.1 Officers from the Authority have been working with the Schools Finance Sub-group to review the Authority's Local Funding Formula (LFF) for schools and the potential impact of transferring 0.5% from Schools Block to High Needs Block. The planned approach was presented to Schools Forum on 22 September 2021. At this meeting, Schools Forum agreed to consult with all schools on this option.

5.2.2 At the time of writing this report a consultation is underway with all schools and will be concluded on 18 November 2020. The outcome of the consultation will be presented to Schools Forum at its meeting on 24 November 2021. The consultation results will be shared reviewed by the Cabinet Member for Finance and Resources, Cabinet Member for Children Young People and Learning, the Director of Commissioning & Asset

Management and the Director of Resources as per recommendation in paragraph 1.2 of the cover report to this Annex.

5.3 High Needs Block

5.3.1 In common with most authorities, North Tyneside Council is continuing to see rising pressures within provision for children with special educational needs. This is due to the increasing complexity of the needs of children and young people in addition to general rising cost levels mainly as a result of pay inflation.

The number of children with an Education Health and Care Plan (EHCP) continues to increase and there are a rising number of pupils with Autism Spectrum Disorder (ASD) as their primary need. The forecast outturn for high needs as at October 2021 is estimated at £12.641m.

5.3.2 An initial High Needs Strategic Plan was agreed by Schools Forum in May 2018, outlining a work plan to review the Authority's current special educational needs offer to ensure it meets needs appropriately at a sustainable cost.

In June 2021 the Authority commenced working with Education and Skills Funding Agency (ESFA) on a High Needs deficit recovery plan and update to the High Needs Strategic Plan. This plan is still being worked on, with a target of reducing the deficit within five years.

5.4 Early Years Block

5.4.1 The DfE has not yet published the expected value of the Early Years block funding. To provide illustrative values the 2021/22 actual funding allocation of £13.9m has been assumed.

5.4.2 Local authorities are required to use a locally determined, transparent formula to set the funding rates for the Government-funded childcare entitlements for all types of provider. This is known as the Local Early Years Funding Formula (LFF). Local authorities are required to consult providers and Schools Forum on annual changes to their LFF.

5.5 Central Schools Services Block

5.5.1 The Central Schools Services block (CSSB) provides funding for local authorities to carry out the statutory duties they hold for both maintained schools and academies in England. Schools Forum is required to approve the proposals for expenditure from the CSSB. Schools Forum will consider certain elements of funding that are held centrally within the funding allocations (known as centrally retained and de-delegated items) which are applied to benefit pupils across the Borough.

5.6 Timetable for Agreeing 2022/23 Distributions

5.6.1 The key dates which must be met in setting 2022/23 school budgets are shown in Table 4 below. This report is requesting authorisation for the Director of Resources, in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools to meet these deadlines.

Table 4: Key dates for 2022/23 School Budget-setting

Date	Activity
July 2021	Department for Education (DfE) guidance issued for 2022/23
October / November 2021	Local consultation documents issued to stakeholders
19 November 2021	Consultation returns received and reviewed
24 November 2021	Schools Forum considers consultation response and agrees proposals for local funding allocation formula to individual schools, de-delegated and centrally retained budgets and any transfers between funding blocks
December 2021 / January 2022	Local Government Finance Settlement announced including school funding amounts
January 2022	Additional Schools Forum meeting (if required)
21 January 2022	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2022	Deadline for confirmation of schools' budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

6. Cabinet's initial Budget proposals for the 2022-2027 Investment Plan

6.1 Background

6.1.1 Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets, or loans to third parties for a capital purpose.

Investment of this nature plays an important role in ensuring the Authority meets its health and safety responsibilities, it also plays an important role in improving economic opportunities across all parts of the Borough. Whilst some investment directly contributes to economic development, all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

6.1.2 A Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme builds on previous success, with a strong focus on delivery of the Our North Tyneside Plan outcomes and linking to the Our Ambition for North Tyneside. The Strategy also provides a framework to enable projects to be developed with the aim of helping to deliver revenue savings to assist the Authority in managing the financial pressure it faces. The Capital Investment Strategy is attached as Appendix B(iv).

The 2021-2026 Investment Plan totalling £245.570m was approved by Council on 8 February 2021. Delivery of projects within the plan and progress to date has been reported to Cabinet as part of the bi-monthly Financial Management reports. Reprogramming of £13.469m has been identified as part of the process and this spend is now included in the proposed 2022-27 Investment Plan.

The following adjustments are included in the draft plan:

- Addition of £0.250m for 2022/23 and £1.000m pa (total £4.250m 2022-27) to reflect the initial work underway in relation to Carbon reduction targets and enable progress to be made on this key priority;
- A new year 5 (2026/27) has been added to reflect rolling programme projects such as, sustained investment in additional Highways Maintenance, Asset Planned Maintenance, and ICT refresh; and
- In view of the outcome of a number of building condition surveys, an additional £0.500m pa (total 2022-27 additional £2.000m) has been added to reflect identified requirements.

All proposals for capital investment follow a structured gateway process, and are challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. All proposals are considered in terms of their strategic alignment with the Our North Tyneside Plan, Ambition for North Tyneside and the updated Efficiency Programme.

The Investment Programme Board (IPB) meets on a monthly basis and, as part of its monthly meetings, receives an update on all on-going projects included in the approved Investment Plan (currently 2021-2026).

Table 5 below shows a summary of the initial draft 2022-2027 Capital Investment Plan.

Table 5: Summary of the draft Capital Investment Plan 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund	28,576	22,494	19,178	15,435	15,812	101,495
Housing	26,724	28,100	30,651	32,126	34,046	151,647
Total	**55,300**	**50,594**	**49,829**	**47,561**	**49,858**	**253,142**

A schedule of the individual projects included in the draft plan is attached as Appendix B(i). Where applicable, confirmation of external funding will also be required before projects are able to proceed.

The estimated revenue implications of these schemes have been included in the revenue budget.

Table 6: Summary of Financing 2022-27

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund						
Council Contribution:						
Unsupported Borrowing	12,956	12,546	11,776	8,223	8,600	54,101
Capital Receipts	254	0	0	0	0	254
Revenue contribution	0	0	0	0	0	0
	13,210	12,546	11,776	8,223	8,600	54,355
Grants & Contributions	15,366	9,948	7,402	7,212	7,212	47,140
Total General Fund Resources	**28,576**	**22,494**	**19,178**	**15,435**	**15,812**	**101,495**
Housing – HRA						
Capital Receipts	1,572	1,584	1,700	1,851	1,956	8,663
Revenue Contribution	10,281	10,185	12,632	13,160	16,092	62,350
Major Repairs Reserve	14,501	15,916	16,189	17,035	15,868	79,509
Other contributions	370	415	130	80	130	1,125
Total Housing HRA Resources	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**
TOTAL RESOURCES	**55,300**	**50,594**	**49,829**	**47,561**	**49,858**	**253,142**

6.1.3 The initial draft 2022-2027 Investment Plan for the General Fund includes expenditure of £28.576m in 2022/23. Of this expenditure, £15.366m (54%) is funded through grants and other external contributions.

General Fund receipts (£0.254m), already received, and Housing capital receipts of £8.663m have been assumed in the financing of housing projects within the draft Plan.

Across the life of the draft Plan, unsupported borrowing totals £54.101m, with £12.956m planned for 2022/23. Of this, £2.897m relates to invest to save projects and projects that cover the cost of borrowing through recharges namely, Streetlighting LED and Vehicle Replacement. The cost of borrowing is included within the General Fund Revenue Budget and Financial Plan.

Work is ongoing to finalise these draft proposals. There are currently a number of projects progressing through the investment gateway process where bids have been made for external funding. It is planned that these projects will be added to the Plan once funding is secured; no spend will be committed until funding is secured.

6.2 Capital Allocations 2022/23

6.2.1 A number of capital allocations (grants) are announced by the Government as part of the Local Government Finance Settlement. These include Education Funding (Capital Maintenance and Devolved Formula Capital) (Department for Education), the Local Transport Plan (Department for the Environment) and Disabled Facilities Grants (through the Better Care Fund). Figures for 2022/23 have not yet been announced and therefore indicative figures, based on previous allocations, have been included in the draft Plan. As soon as actual allocations are announced, these figures will be updated and included in subsequent reports.

6.3 Annual Minimum Revenue Provision (MRP)

6.3.1 The Capital Finance Regulations require full Council to agree an annual policy for the Minimum Revenue Provision (MRP), the amount that is set aside to provide for the prepayment of debt (principal repayment). The Regulations require the Authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

There are no changes proposed to the existing policy. The 2022/23 policy is set out in full below:

(a) Existing assets pre 1 April 2007: MRP will be charged at 2% per annum;
(b) Supported borrowing: MRP will be charged at 2%;
(c) Unsupported borrowing: for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
(d) Lease transactions treated as “on balance sheet”: an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability; and
(e) Loans made for capital purposes for which borrowing is taken out: MRP will be based on the actual principal repayment schedule relating to the loan provided.

6.4 Prudential Indicators

6.4.1 The Local Government Act 2003 requires authorities to comply with the 'CIPFA Prudential Code for Capital Finance in Local Authorities'. The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code.

The proposed indicators for 2022-26 have been prepared using the current (2017) Code and are attached as Appendix B(iii). There has been a recent consultation on changes to this code which if adopted before the budget is set will be reflected in the final indicators presented for approval. There is not expected to be a significant impact for the Authority.

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7. 2021/22 Treasury Management

7.1 Background

7.1.1 The Authority is required to operate a balanced Budget, which broadly means that cash raised during the year will meet cash expenditure. A key part of the treasury management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate liquidity before considering investment return.

The second main function of the treasury management service is the funding of the Authority's (investment) plans. These capital plans provide a guide to the borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available Budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of any sums invested, as a loss of principal will in effect result in a loss to the General Fund balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day-to-day treasury management activities.

7.1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that an organisation's treasury management policy statement adopts the following form of words to define the policies and objectives of its treasury management activities:

1 This organisation defines its treasury management activities as:
The management of the organisation'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.

2 This organisation 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.

3 This organisation 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.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement. Non-Treasury Investments are reported as part of this update. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure in an asset.

7.1.3 There are no policy changes to the Treasury Management Strategy Statement or Annual Investment Strategy which was last approved at Council on 18 February 2021; the latest Treasury Management Strategy Statement and Annual Investment Strategy have been included as Appendix C. The details in this report update the current Treasury position in the light of the updated economic position and budgetary changes already approved.

7.1.4 Since 1 April 2021 there has been no instances of a material exposure in excess of credit limits as per the Treasury Management Strategy Statement and Annual Investment Statement Credit Criteria.

7.2 <u>Treasury Management Reporting</u>

7.2.1 In line with best practice, the Treasury Strategy including an Investment Strategy is considered as part of the Budget-setting process.

The Treasury Management Strategy (how investments and borrowings are to be organised), including treasury indicators and an investment strategy.

Prudential indicators are covered earlier in this report, with detailed indicators within Appendix B(iii).

There are two other main reports each year, which incorporate a variety of policies, estimates and actuals which are approved by Cabinet. These reports are:

- **A Mid-Year Treasury Management Report**
  This will update Members with the progress of the capital position, amending prudential indicators as necessary, and indicate whether the Authority is meeting the strategy or whether any policies require revision; and

- **An Annual Treasury Report**
  This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Strategy.

7.3 <u>Current Treasury Portfolio Position</u>

7.3.1 The Authority’s debt and investment position as at 30 September 2021 is set out in Table 7 below:

Table 7: Current Treasury Portfolio Position as at 30 September 2021

	Principal Outstanding	Average Rate
	£m	%
Fixed Rate Funding		
PWLB*	249.250	3.57
PWLB – (HRA Self-Financing)	128.193	3.49
Market Loans	20.000	4.35
Temp Loans**	5.000	0.89
Total External Debt	**402.443**	
Less **Investments**		
(UK) DMO***	40.000	0.01
Other Local Authorities	25.000	0.10
Bank Deposits	7.258	0.01
Total Investments	**72.258**	
Net Position	**330.185**	

* Public Works Loan Board
** Loans from other local authorities
*** Debt Management Office

7.4 Prospects for Interest Rates

7.4.1 The Authority has appointed Link Asset Services as its external treasury advisor; part of their service is to assist the Authority to formulate a view on interest rates. Table 8 below sets out Link Asset Services' professional view of interest rates:

Table 8: Link Asset Services' forecast interest rates – 29th September 2021

Link Group Interest Rate View 29.9.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

7.4.2 Interest rates have been at historical lows during the pandemic, however following the UK removing COVID related restrictions the economy has seen significant inflationary pressure. Demand-led price increases, the continued energy price inflation as well as pent-up-demand has put pressure on the Bank of England to use monetary policy tools to manage inflationary pressure.

Inflation is forecast to increase above the 2% target to 4% or even 5% temporarily over

the next 3 years. As such Markets have forecast a base rate increase in Q1 2022. The Bank of England remain cautions and maintain a watch and see position with one eye on data as it comes available the other on ensuring economic recovery is not stifled.
It is likely inflation will remain above 2% for the near

7.4.3 Investment and borrowing rates currently remain low, however it is likely for rates to pick up as base rate increases. Uncertainty remains with a watching brief on delta variants which could cause a reversal in current policy and return to lower for longer rate environment.

7.5 <u>Economic Update (Provided by Link)</u>

7.5.1 At the September Monetary Policy Committee (MPC) meeting, the MPC voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

7.5.2 There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.

7.5.3 In August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

7.5.4 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

7.5.5 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

- Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

7.5.6 COVID-19 vaccines have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

7.6 Prudential Code and Treasury Management Code Consultations

7.6.1 In September 2021 CIPFA released the stage 2 consultation in relation to Capital Finance in Local Authorities. The proposed summary of the consultation is available on request from the Treasury Management Officer.

The budget proposals and MTFP documents have been developed based on the current Code's, however the report is cognisant of CIPFAs latest Prudential code and Treasury Management consultations and ensure the Authority's plans do not conflict with the code consultations proposals.

7.6.2 The main purpose of the latest Prudential code consultation is to address the risks associated with commercial property acquisitions (debt-for-yield) following comment from the Public Accounts Committee and National Audit Office reports.

7.6.3 Notwithstanding the current Code consultations the Authority does not envisage any activities, current or planned, which may conflict with the latest proposals.

7.7 Non-Treasury Investments

7.7.1 The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit, for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.

7.7.2 The Authority recognises that investments in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. It is recognised that the risk appetite for these activities may differ from that for treasury management. The Authority maintains records of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

7.7.3 At 31 March 2021, the Authority held the following investments on its balance sheet:

- Equity:

  Newcastle Airport Holding Company Ltd £7.830m (£7.272m 31/3/2020)
  North Tyneside Trading Company £9.075m (£7.568m 31/3/2020)
  LIFT Co £0m

  The shares in Newcastle Airport are held primarily for economic regeneration. The cost of the original investment was £0.235m and the shares in North Tyneside Trading Company relate to two subsidiaries. The first, amounting to £7.075m, relates to investment in affordable homes in line with the Cabinet's priorities using section 106 funding. The second, amounting to £2.000m, relates to investment in Aurora Properties (Sale) Ltd for the provision of housing for sale on the open market.

- Loans

  Aurora Properties (Sale) Ltd £5.125m (£4.000m 31/3/2020)
  Sub ordinated debt – Dudley and Shiremoor JSC £0.160m ((£0.160m 31/3/2020)
  Sub ordinated debt – Whitley Bay JSC £0.110m ((£0.110m 31/3/2020)

7.7.4 The current 2021/22 Capital Investment Plan includes further planned investment in the Trading Company of £5.372m (which includes £3.413m in section 106 funding). There are currently no losses expected on any of the Authority's non-treasury investments or any indications that a loss may arise. However, this position is kept under constant review as market conditions are expected to remain very volatile. Any dividends from the Trading Company for 2021/22 or over the period of the Financial Plan (2022-2026) are not expected to be material. Recharge income in respect of staff time and loans is estimated to be £0.380m for 2021/22 and approximately £1.200m over the period of the Financial Plan (2022-2026).

8. Provisional Statement to Council by the Chief Finance Officer

8.1 <u>Background</u>

8.1.1 The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and Council Tax level, Elected Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.

The Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.

In making the statement, the Chief Finance Officer necessarily places reliance on information provided to her by other officers of the Authority as part of the Financial Planning and Budget process. Due cognisance to guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to the adequacy of reserves and balances will also be taken into account.

The intention would be to make a full Statement as part of the report to the Council meeting on 17 February 2022, when all outstanding information should be available.

8.1.2 The 2022/23 Budget needs to be prepared with reference to the Financial Management Code (the FM Code) published by CIPFA. The FM Code provides guidance about the principles of good and sustainable financial management and requires authorities to demonstrate that processes are in place which satisfy these principles. It identifies risks to financial sustainability and sets out details of a framework of assurance which reflects existing successful practices across the sector. In addition, the Code establishes explicit standards of financial management and highlights that compliance with these is the collective responsibility of Elected Members, the Chief Finance Officer and the wider Senior Leadership Team. Full compliance with the FM Code is required from the 2021/22 Budget and further details of how this has been achieved will be set out in the February Cabinet report as appropriate.

8.2 <u>Robustness of Estimates</u>

8.2.1 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues*:*

- The general financial standing of the Authority;
- The underlying Budget assumptions from the Financial Strategy;
- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2022-2027 Capital Investment Plan;
- The adequacy of the budget monitoring and financial reporting arrangements in place;
- The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2020/21 Statement of Accounts, and
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority.

The level of contingencies has been increased to £6.368m as recognition of the risks associated with inflation and delivery of efficiencies. This will continue to be reviewed as these are initial Budget proposals which will be finalised by Cabinet once consultation is concluded and the final Local Government Finance Settlement is known.

8.2.2 The Cabinet is aware it must keep under review its Medium-Term Financial Strategy and four-year Financial Plan, in the context of the 2021-2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2022/23 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of the four-year Financial Plan, the four-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognized as set down in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

8.3 Capital Investment Strategy

8.3.1 In line with the 2017 'Consultation on Proposed Changes to the Prudential Code's' new requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions', the Authority has ensured that that all projects within the 2022-2027 Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.

In terms of the overall investment position of the Authority, as set out above, a draft Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Council Plan outcomes.

8.4 Adequacy of Financial Reserves

8.4.1 General Fund

The level of un-ringfenced reserves remains of concern to the CFO in this ongoing period of uncertainty. It expected that over the course of 2022/23 the Change Reserve will reduce as planned investment in projects to support better management of demand are implemented. This year's Financial Management reports to Cabinet highlight areas of on-going financial pressure resulting from of the impact of COVID-19 Pandemic on service provision. The current financial pressure is at a level above the additional funding provided by Central Government, this currently stands at £4.161m. Some of this financial pressure is expected to continue into at least 2022/23 and possibly beyond. There is no indication that Central Government will continue to provide direct financial support for the ongoing impact of COVID-19 Pandemic in Local Government therefore £2.000m of the Strategic Reserve will be transferred to a Covid Reserve to manage this risk which will be closely monitored throughout 2022/23.

These actions together with the requirement to balance the 2021/22 in-year budget may result in the level of the Strategic Reserve falling below the minimum planned level of £10.000m over the life of the Financial Plan. Based on this included in the initial budget proposals is corrective action to restore the Strategic Reserve to the agreed level.

Table 9 below shows the reserves as at the 31 March 2021 and the projected reserve levels over the period of the Financial Plan:

Table 9: Reserves and Balances as at 31 March 20201 and from 2021/22-2025/26

Reserves and balances	Opening Bal.	Projected Closing Balances				
	2021/22 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Reserves						
General Fund ringfenced	22.124	20.734	19.242	18.659	18.297	13.839
General Fund unringfenced	20.810	14.548	12.348	11.848	11.348	10.848
General Fund grants	42.254	2.409	1.660	1.458	1.176	0.895
Dedicated Schools Grant	(7.932)	(8.326)	(13.000)	(11.000)	(9.000)	(8.000)
HRA	14.556	14.642	14.464	14.159	14.075	13.976
Reserves Sub Total	**91.811**	**44.007**	**34.714**	**35.125**	**35.896**	**31.558**
Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
School Balances	3.721	2.221	0.721	(0.779)	(2.279)	(3.779)
Housing Revenue Account Balances	5.002	3.012	2.633	2.705	2.667	2.661
Balances Sub Total	**15.722**	**12.233**	**10.354**	**8.926**	**7.388**	**5.882**
Grand Total Reserves and Balances	**107.533**	**56.239**	**45.068**	**44.050**	**43.283**	**37.440**

8.5 <u>Housing Revenue Account (HRA)</u>

8.5.1 Table 10 below sets out the movement in reserves of the HRA. The Budget proposals ensure that a minimum of £2.500m is retained in HRA revenue balances each financial year covering the two years of the Financial Plan to ensure some measure of contingency and financial stability. The proposals, as they currently stand, also balance the Plan over the longer 30-year period, which is what the Government requires authorities to demonstrate as part of the self-financing proposals.

Table 10: 2022–2026 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Reserve Balance	(5.002)	(3.440)	(3.069)	(2.837)	(2.567)
Contributions (to)/from balances	1.562	0.371	0.232	0.270	(0.059)
Predicted Reserve Balance Carried Forward	**(3.440)**	**(3.069)**	**(2.837)**	**(2.567)**	**(2.626)**

8.5.2 Guidance on local authority reserves and balances is given in CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 99. This states that *"Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option",* and so the proposed 2022/23 Budget does not contradict the issued guidance. The Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure"*. The 2022-2026 Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

9. Overall Financial Risk Assessment

9.1.1 Financial risks are driven by changes to Government policy and the national financial climate, issues arising throughout the year and reported as part of the financial management reporting process and those risks highlighted as part of the Authority's risk management procedures and monitored through the Authority's risk registers. As part of the monitoring process the Authority's Corporate Risk Register is monitored twice yearly by Cabinet.

9.2 Key Financial Risks

9.2.1 The key financial risks for the Authority (including the HRA), which have been considered as part of the Financial Planning and Budget process, are set out in the table below along with mitigating actions:

Table 11: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable.	A robust challenge process has taken place to align proposals to the Efficiency Statement and how this enables the Authority to deliver its Efficiency Programme. This programme will then be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken.
There is a risk that if the Efficiency Programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on the Authority's services within reducing resources. This could have the financial impact of the Authority not delivering on its Budget.	An overall Budget Proposal Document and Terms of Reference are in place for all existing and new Efficiency Programme projects. This spans all service redesign projects Monthly Updates to SLT are provided as part of the in-year financial management process. Refreshed Governance will be put in place to monitor delivery and benefits realisation.
There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2023/24 may be wrong, resulting in changes to the current targeted savings by 2023/24, for the General fund and for the HRA, which will be considered by Cabinet in January 2020. This includes any assumptions with regards to the ongoing impacts of the COVID 19 Pandemic.	The Authority has demonstrated robust response to financial management actions if the assumptions that have been made prove to be incorrect. The Authority continues to work closely with national, regional and sub-regional financial networks to help ensure that it is informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made.

	The announcement of the Spending Review 2021 clearly gives more information regarding spending plans and financial support to Local Government for 2022/23. More detail will be set out in the Provisional Settlement expected early/mid December 2021.
There is a risk that, because of financial pressures within the Clinical Commissioning Group (CCG), the Authority does not receive a full transfer of funding from health to social care and the continuation of funding for existing services funded through the Better Care Fund (BCF) and S256 agreements. This would have a significant financial impact to the Authority. This risk is seen to increase with the changes to the NHS and the move to the Integrated Care System	The Policy and Framework and Guidance for the BCF specifically requires that funding transferred for social care should, as a minimum, be at the equivalent level as that of 2016/17 plus inflation. The BCF contribution from the CCG has been agreed for 2021/22 and is in line with the nationally required minimum. The BCF plan for 2021/22 has been agreed by the Health and Wellbeing Board and has been submitted. An updated s75 Agreement will be prepared once the BCF Plan has received approval from the national bodies.
There is a risk that not all growth pressures have been identified in the 2021/22 proposed Budget.	Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.
There is a risk that demand-led pressures exceed Budget provision	Demand-led pressures continue in areas such as Adults and Children's Social Care and the impact of the Living Wage on care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals and continue to be closely monitored.
There is a risk that specific factors arising during 2021/22 have not been fully taken into account when preparing the 2022/23 Budget.	The 2021/22 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team. This process ensures that factors arising during the year are highlighted.
There is a risk that the in-year pressures being reported through the 2021/22 financial management process impact on the deliverability of the 2022/23 Budget.	As at 30 September 2021, a pressure of £45.240m was reported against the 2020/21 Budget this included the impact of COVID-19 Pandemic. Core Business as usual had a pressure of £1.081m, which is expected to improve as the Authority progresses to year end. Unfunded Covid pressures

	currently stand at £4.161m at the end of September. As assessment of the ongoing impact and risk that those Covid cost pressures and income losses may continue into 2022/23 has been undertaken and considered in light of the levels of reserves.
There is a risk that the contingency provision included in the Financial Plan for 2021/22 is insufficient.	The review of the base Budget and the reflection of the 2021/22 pressures into 2022/23 have been considered as part of the Financial planning process and will be updated once the Provisional Local Government Finance Settlement is announced. The contingency budget has been increased in light of current financial risks.
There is a risk that there are insufficient levels of reserves and balances.	A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring process and planning process.
There is a risk that the Authority will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the Housing Revenue Account. Government policy on welfare reform is resulting in a number of direct challenges to rent collection.	The Budget-setting process incorporates a review of the HRA business plan to reflect the changes. The cost and quantity of work within the 30-year Capital Investment Plan is revised annually to help mitigate the impact of changes. In addition, the Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. The Authority has representation on the MHCLG and CIPFA HRA working groups. This enables specific NTC issues to be raised and allows the Authority to comment and influence change on HRA regulation.
There is a risk that there may be a significant financial impact on school resources if the number of schools requesting deficit continues to rise at its current rate. This risk is currently driven by the number of surplus places at secondary schools.	The school deficit has been identified as a priority for the Authority and headteachers and governing bodies. A programme of work has been identified, working with schools to improve the schools' deficit position. This will highlight the work that is required, and through working with the schools a number of initiatives will be identified and progressed. The authority has created a reserve to begin to address this risk.

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Our North Tyneside Plan

2021 TO 2025 | BUILDING A BETTER NORTH TYNESIDE

THE OUR NORTH TYNESIDE COUNCIL PLAN OUTLINES A VISION OF BUILDING A BETTER NORTH TYNESIDE LOOKING TO THE FUTURE; AND LISTENING TO AND WORKING BETTER FOR RESIDENTS.

The plan features five themes that reflect your priorities aimed at creating a North Tyneside that is **thriving**, **family-friendly**, **caring**, **secure** and **green**. Each of these five themes has a clear set of policy priorities.

Through this plan we will build on our excellent track record of delivery over the past eight years and address the key challenges we now face as a result of the COVID-19 pandemic.

It is a plan to build a better North Tyneside and to restore hope and confidence in the future where we tackle inequalities and discrimination and ensure that no-one is left behind.

It is a plan for a thriving North Tyneside – with regeneration across the whole of the borough, more good quality jobs, apprenticeships and access to skills training, support for businesses and keeping our libraries and leisure centres open as part of a vibrant cultural offer.

It is a plan for a family-friendly North Tyneside – with high-quality education, outstanding children's services and making sure our kids have the very best start in life.

We will also be making sure we are a caring North Tyneside – with great care to everyone who needs it and support for our brilliant local community groups and the essential work they do.

It is a plan for a secure North Tyneside – tackling anti-social behaviour, investing in our roads and pavements, providing affordable homes and tackling food poverty.

And we look ahead to the very longer term – to protect our borough for generations long into the future with a green North Tyneside – increasing what can be recycled, cracking down on littering, improving ways for safe walking and cycling and planning how to make North Tyneside carbon net-zero by 2030.

This is our plan for North Tyneside but we know the council cannot deliver it all on its own. We work in partnership with our residents, our businesses, our community and voluntary sector and other key organisations such as the NHS, the police, fire and rescue services.

Norma Redfearn.

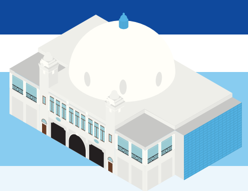
Norma Redfearn CBE, Elected Mayor

North Tyneside Council

Our North Tyneside Plan

2021 TO 2025

BUILDING A BETTER NORTH TYNESIDE



A **thriving** North Tyneside

We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents;

We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough

We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job

We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;

We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities

We will reduce the number of derelict properties across the borough

We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

A **secure** North Tyneside

Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour;

We will continue to invest £2m per year in fixing our roads and pavements

We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside

We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty; and

We will provide 5000 affordable homes

A **family-friendly** North Tyneside

We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic

We will provide outstanding children's services, events and facilities so North Tyneside is a great place for family life

We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

A **caring** North Tyneside

We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic

We will work with the care provision sector to improve the working conditions of care workers;

People will be cared for, protected and supported if they become vulnerable, including if they become homeless

We will support local community groups and the essential work they do

We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

A **green** North Tyneside

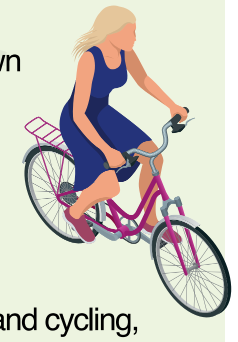
We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes

Council environmental hit squads will crack down on littering

We will secure funding to help low income households to install low-carbon heating;

We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast

We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030



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NTCouncilTeam

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<u>**2022-2027 Draft Investment Plan**</u>

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type	£000
General Fund								
BS026 Asset Planned Maintenance	2,000	2,000	2,000	2,000	2,000	10,000	Council Contribution	10,000
DV064 Council Property Investment	300	0	0	0	0	300	Council Contribution	300
DV071 Section 106 Contributions to Set Up Health Facilities	36	0	0	0	0	36	Section 106	36
DV073 Ambition for North Tyneside	1,654	1,725	2,000	0	0	5,379	Council Contribution	5,125
							Capital Receipts	254
DV074 North Shields Heritage Action Zone (HAZ) (Ambition)	231	173	0	0	0	404	Council Contribution	203
							Historic England Grant	201
DV077 Tyne Brand Site Development	1,475	2,650	190	0	0	4,315	Brownfield Housing Fund	4,315
ED075 Devolved Formula Capital	1,079	579	579	579	579	3,395	Education Funding Agency	3,395
ED120 Basic Need	2,014	113	113	113	113	2,466	Education Funding Agency	2,466
ED132 School Capital Allocation	4,334	3,534	3,534	3,534	3,534	18,470	Education Funding Agency	18,470
EV034 Local Transport Plan	2,933	2,986	2,986	2,986	2,986	14,877	Dept for Transport Grant	14,877
EV056 Additional Highways Maintenance	2,000	2000	2,000	2,000	2,000	10,000	Council Contribution	10,000
EV069 Vehicle Replacement	762	1,248	1,676	1,123	1,500	6,309	Council Contribution	6,309
EV076 Operational Depot Accommodation Review	400	0	0	0	0	400	Council Contribution	200
							ERDF	200

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type	£000
EV083 Streetlighting LED	2,135	1,386	0	0	0	3,521	Council Contribution	3,521
EV091 Climate change - decarbonisation	250	1,000	1,000	1,000	1,000	4,250	Council Contribution	4,250
EV096 Tanners Bank	600	0	0	0	0	600	Dept for Transport Grant	600
GEN03 Contingencies	2,300	2,000	2,000	1,000	1,000	8,300	Council Contribution	8,300
GEN12 Local Infrastructure	100	100	100	100	100	500	Council Contribution	500
HS004 Disabled Facilities Grant	2,580	0	0	0	0	2,580	Better Care Fund	2,580
HS051 Private Sector Empty Homes	393	0	0	0	0	393	Council Contribution	393
IT020 ICT Strategy	1,000	1,000	1,000	1,000	1,000	5,000	Council Contribution	5,000
Total General Fund	**28,576**	**22,494**	**19,178**	**15,435**	**15,812**	**101,495**		**101,495**
HRA								
HS015 Refurbishment / Decent Homes Improvements	21,114	21,948	22,447	23,579	24,857	113,945	Capital Receipts	8,663
							Revenue Contribution	62,350
HS017 Disabled Adaptations	1,072	1,083	1,094	1,105	1,116	5,470	Major Repairs Reserve	79,509
							Other contributions	1,125
HS039 ICT Infrastructure Works	608	1,109	360	112	113	2,302		
HS044 HRA New Build	3,930	3,960	6,750	7,330	7,960	29,930		
Total HRA	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**		**151,647**
TOTAL	**55,300**	**50,594**	**49,829**	**47,561**	**49,858**	**253,142**		**253,142**

Financing

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type £000

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
Council Contribution	12,956	12,546	11,776	8,223	8,600	54,101
Council Contribution - Capital Receipts	254	0	0	0	0	254
Grants & Contributions	15,366	9,948	7,402	7,212	7,212	47,140
Revenue Contribution	0	0	0	0	0	0
General Fund Total	**28,576**	**22,494**	**19,178**	**15,435**	**15,812**	**101,495**
HRA						
HRA Capital Receipts	1,572	1,584	1,700	1,851	1,956	8,663
HRA Revenue Contribution	10,281	10,185	12,632	13,160	15,992	62,250
HRA Major Repairs Reserve	14,501	15,916	16,189	17,035	15,968	79,609
HRA Other Contributions	370	415	130	80	130	1,125
HRA Financing Total	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**
TOTAL	**55,300**	**50,594**	**49,829**	**47,561**	**49,858**	**253,142**

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APPENDIX B (ii) - HOUSING INVESTMENT PLAN 2022-27

Project Ref	Project Title	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
	Housing						
HS002	HRA Schemes	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**
	Made up of:-						
	Decency Refurbishments(incl.re-programming)	14,222	14,449	14,990	15,565	16,995	**76,221**
	Disabled Adaptations (incl.re-programming)	1,072	1,083	1,094	1,105	1,116	**5,470**
	Climate Change / Decarbonisation Measures eg Solar PV etc	1,703	2,160	2,029	2,491	2,253	**10,636**
	Capitalisation of Major Repairs	1,270	1,283	1,296	1,308	1,322	**6,479**
	Furniture Pack Scheme	516	521	526	531	537	**2,631**
	Asbestos Works	312	315	318	322	325	**1,592**
	Energy Efficiency & Environmental Improvements	211	213	214	216	218	**1,072**
	Fencing / Walling / Offstreet parking / Landscaping	1,377	1,464	1,491	1,519	1,537	**7,388**
	ICT Strategy (incorporating Unified Systems Review)	608	1,109	360	112	113	**2,302**
	Garages (Renovation/Demolition)	131	135	139	143	148	**696**
	Water Pipe Renewals/Fire Damage Reinstatement	134	135	137	139	140	**685**
	Apprentice Costs & CLAs (Apprentices split with Repairs)	474	486	497	510	522	**2,489**
	Footpaths & Communal Areas & Fire Doors	311	320	329	340	350	**1,650**
	Project Management Fee	453	467	481	495	510	**2,406**
	Potential New Build (incl. re-programming)	3,930	3,960	6,750	7,330	7,960	**29,930**
	Total: Housing	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**
	TOTAL	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**

FINANCING

HOUSING

Council Contribution						
Capital Receipts	1,572	1,584	1,700	1,851	1,956	**8,663**
Other Funds eg Green Fund, RTB Admin Surplus etc	370	415	130	80	130	**1,125**
Revenue Contributions	10,281	10,185	12,632	13,160	16,092	**62,350**
Total Council Contribution	12,223	12,184	14,462	15,091	18,178	**72,138**
Depreciation / Major Repairs Reserve	14,501	15,916	16,189	17,035	15,868	**79,509**
TOTAL HOUSING	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**
TOTAL	**26,724**	**28,100**	**30,651**	**32,126**	**34,046**	**151,647**

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2022-2026 Prudential Indicators

Introduction

1.0 The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and produce prudential indicators. The framework established by the Prudential Code is designed to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation. In exceptional cases the Prudential Code should provide a framework which will demonstrate that there is a danger of not ensuring this, so that the local authority concerned can take timely remedial action.

1.1 These indicators have been prepared using the current code (2017). There has been a recent consultation on changes to this code which if adopted before the budget is set will be reflected in the final indicators presented for approval. There is not expected to be a significant impact for the Authority.

1.2 The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt. The Capital Investment Strategy Is included as Appendix B (iii) to this report.

1.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Prudential Code does not include suggested indicative limits or ratios. These will be for the local authority to set itself. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Authority's underlying investment appraisal systems.

1.4 Within this overall prudential framework there is an impact on the Authority's treasury management activity as it will directly impact on borrowing and investment activity. The draft Treasury Management Strategy for 2022/23 is included within the annex to this report.

1.5 The Prudential Code requires the following matters to be taken into account when setting or revising the prudential indicators:

a) Service Objectives – e.g. strategic planning for the Authority
b) Stewardship of assets – e.g. asset management strategy
c) Value for money – e.g. options appraisal

d) Prudence and sustainability – e.g. implications of external borrowing
e) Affordability – e.g. impact on Housing rents
f) Practicality – e.g. achievability of the forward plan

1.6 Matters of affordability and prudence are primary roles for the Prudential Code.

1.7 The revenue consequences of capital expenditure relating to the HRA must to be paid for from HRA resources.

1.8 Capital expenditure can be paid for through capital receipts, grants etc, but if these resources are insufficient then any residual capital expenditure will add to the HRA's borrowing need.

1.9 The key risks to the plans are that the level of funding, such as capital receipt levels or revenue contributions may change as capital receipts are reliant on an active property market.

1.10 The indicators cover:

- Affordability;
- Prudence;
- Capital expenditure;
- External debt; and
- Treasury management.

1.11 Prudential indicators are required to be set as part of the Financial Planning and Budget process. Any revisions must be reported through the financial management process.

1.12 The prudential indicators for the forthcoming and future years must be set before the beginning of the forthcoming year. They may be revised at any time, following due processes and must be reviewed, and revised if necessary, for the current year when the prudential indicators are set for the following year.

1.13 The following sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2022–2026. The indicators include those for the Housing Revenue Account.

Prudential Indicators for Affordability

1.14 The fundamental objective in considering affordability of the Authority's Investment Plan is to ensure that the total capital investment of the Authority remains within sustainable limits, and in particular to consider the impact on the "bottom line" and hence Council Tax and Housing rents. Affordability is ultimately determined by a judgement on acceptable Council Tax or housing rent levels.

1.15 In considering the affordability of its Investment Plan, the Authority is required to consider all the resources that are currently available and estimated for the future, together with the totality of the Investment Plan, revenue income and revenue expenditure forecasts for the forthcoming year and following two years (as a minimum). The Authority is also required to consider known significant variations beyond this timeframe. This requires the development of rolling revenue forecasts as well as capital expenditure plans. In line with the Financial Plan and the Investment Plan, four-year forecasts have been provided for the prudential indicators.

1.16 When considering affordability, risk is an important factor to be considered. Risk analysis and management strategies should be taken into account.

1.17 Looking ahead for a four year period, the following is a key prudential indicator of affordability:

- the ratio of financing costs to net revenue stream for both the Housing Revenue Account (HRA) and non-HRA services.

Ratio of financing costs to net revenue stream

1.18 This indicator identifies the trend in the cost of capital (predominately external interest and MRP) as a proportion of the net revenue budget for the General Fund and housing income for the HRA and is shown in Table 1 below:

Table 1: Ratio of Financing Costs to Net Revenue Stream

	2021/22	2022/23	2023/24	2024/25	2025/26
	Est.	Est.	Est.	Est.	Est.
General Fund	17.15%	19.31%	14.85%	14.80%	15.06%
HRA	27.88%	27.03%	26.13%	23.31%	23.04%

1.19 The above indicator shows costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes and leases. A new accounting standard for leasing (IFRS16) was due to come into force for Local Authorities from 1 April 2020 due to the Covid-19 pandemic this was further delayed until 1 April 2022. Under this new standard leases that have previously been treated as operating leases and expensed to the revenue account on an annual basis, will now be required to be added to the authority’s balance sheet. Work is ongoing to calculate the actual impact of this change on the cost of borrowing. At this stage an estimate of £4m has been assumed as the cost of borrowing. This will be refined and an updated figure reported as part of the final budget proposals. It should be noted that there is not expected to be a bottom line impact to the revenue budget as a result of this change.

To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on unsupported borrowing. This is shown in Table 2 below:

Table 2: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream

	2021/22 Est.	2022/23 Est.	2023/24 Est.	2024/25 Est.	2025/26 Est.
General Fund	12.32%	10.33%	10.15%	10.54%	10.76%
HRA	5.87%	5.20%	4.81%	0.38%	0.01%

1.20 The cost of capital related to past and current capital programmes has been estimated in accordance with proper practices. Actual costs will depend on the phasing of capital expenditure and prevailing interest rates, and will be closely managed and monitored on an ongoing basis. Any reprogramming in the Investment Plan, whether planned or unplanned, may delay the impacts of debt financing costs to future years.

Prudential Indicators for Prudence

1.21 A key indicator of prudence is that, over the medium term, gross debt will only be used for a capital purpose. Under the Code the underlying need to borrow for a capital purpose is measured by the Capital Financing Requirement (CFR). Gross debt includes external borrowing and also other liabilities including PFI schemes and Finance Leases.

Gross debt and Capital Financing Requirement (CFR)

1.22 This key indicator shows that gross debt is not expected to exceed the total CFR including additional capital requirements for 2021/22 to 2025/26.

Table 3: Gross external debt compared to CFR

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
External Borrowing	459,055	466,223	463,066	460,097	457,172
Other Liabilities (including PFI and Finance Leases)	107,502	179,126	178,238	174,538	170,676
Total Gross debt	566,557	645,349	641,304	634,635	627,848
Capital Financing requirement	**612,692**	**680,458**	**674,913**	**665,572**	**653,160**

Prudential Indicators for Capital Expenditure

Estimate of capital expenditure

1.23 This indicator requires reasonable estimates of the total capital expenditure to be incurred during the current financial year and at least the following three financial years.

1.24 The Investment Plan for 2022-27 is included in the annex to the report and the figures below are based on that report. A full breakdown of individual projects is shown in Appendix B (i).

Table 4: Capital Expenditure

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	58,644	28,576	22,494	19,178	15,435
HRA	31,747	26,724	28,100	30,651	32,126
Total	**90,391**	**55,300**	**50,594**	**49,829**	**47,561**

1.25 There is a risk of cost variations to planned expenditure against the Investment Plan, arising for a variety of reasons, including tenders coming in over/under budget, changes to specifications, slowdown/acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the Investment Plan. These risks are managed by project officers on an ongoing basis, by means of active financial and project monitoring, they will be overseen by the Investment Programme Board and any changes will be made in accordance with Financial Regulations.

1.26 The availability of financing from capital receipts, grants and external contributions also carry significant risks. These risks are particularly relevant to capital receipts, where market conditions are a key driver to the flow of funds, causing problems in depressed or fluctuating market conditions. There is a much reduced reliance on capital receipts in the proposed plan.

Estimate of Capital Financing Requirement (CFR)

1.27 The CFR can be understood as the Authority's underlying need to borrow money long term for a capital purpose. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The CFR will increase annually by the amount of capital expenditure which is not immediately paid for by grants, contributions, direct revenue funding or capital receipts. The General Fund CFR will also be reduced each year by the amount of Minimum Revenue Provision (MRP) that is set aside in the revenue budget. In addition, the CFR may be reduced by additional voluntary contributions in the form of capital receipts or revenue contributions. The HRA business plan includes provision to reduce the HRA CFR in this way.

1.28 The CFR also includes any other long term liabilities eg PFI schemes and finance leases. As outlined in paragraph 1.19 above the new accounting standard for leasing (IFRS16) now comes into force for Local Authorities from 1 April 2022. This means that leases that have previously been treated as operating leases and expensed to the revenue account on an annual basis, are now required to be added to the authority's balance sheet. An initial estimate of the impact of this change (£75m) has been added to the CFR. Work is ongoing to refine this estimate and the impact of this change on the CFR. This will be reported through part of the final budget proposals.

1.29 In accordance with best professional practice the Authority does not associate borrowing with particular items or types of expenditure. The Authority has a number of daily cash flows, both positive and negative, and manages its treasury position in terms of its borrowing and investments in accordance with the approved Treasury Management Strategy. In day to day cash management no distinction can be made between revenue cash and capital cash. Over the long term external borrowing may only be incurred for capital purposes.

Table 5: Capital Financing Requirement

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	305,030	377,965	377,607	372,083	363,348
HRA	307,662	302,493	297,306	293,489	289,812
Total	**612,692**	**680,458**	**674,913**	**665,572**	**653,160**

1.30 The above indicator shows the total borrowing requirement, both supported and unsupported. To enhance the information available for decision-making we have provided a local indicator to show the Capital Financing Requirement for unsupported borrowing. This is shown in Table 6 below:

Table 6: Capital Financing Requirement for Unsupported Borrowing

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	180,954	190,329	191,755	191,716	187,466
HRA	7,171	3,671	274	0	0
Total	188,125	194,000	192,029	191,716	187,466

Prudential Indicators for External Debt

Authorised limit for total external debt

1.31 For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long term liabilities.

1.32 This indicator requires the Authority to set, for the forthcoming financial year and following years, an authorised limit for total external debt, separately identifying borrowing from other long term liabilities such as PFI and Finance Leases.

1.33 The authorised limit represents the maximum amount the Authority may borrow at any point in time in the year. It has to be set at a level the Authority considers is "prudent" and has to be consistent with the plans for capital expenditure and financing.

1.34 This limit is based on the estimate of the most likely, but not worse case, scenario with additional headroom to allow for operational management, for example unusual cash movements.

1.35 As outlined in paragraphs 1.19 and 1.28 above the new accounting standard for leasing (IFRS16) comes into force for Local Authorities from 1 April 2022. An uplift has been applied to the external and operational boundaries to allow for this change. Work is ongoing to calculate the actual impact of the change. This will be reported through the Financial Management reports to Cabinet.

1.36 Full Council will be requested to approve these limits and to delegate authority to the Chief Finance Officer, 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 money for the Authority.

1.37 Any such changes made will be reported to the Cabinet at its next meeting following the change.

Table 7: Authorised Limit for External Debt

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	Est. £000s	**Est. £000s**	**Est. £000s**	**Est. £000s**	**Est. £000s**
Borrowing	1,040,000	1,020,000	1,010,000	1,000,000	980,000
Other Long Term Liabilities	135,000	235,000	235,000	210,000	205,000
Total	**1,175,000**	**1,255,000**	**1,245,000**	**1,210,000**	**1,185,000**

1.38 The Chief Finance Officer reports that these Authorised Limits are consistent with the Authority's current commitments, existing plans and the proposals in this 2022/23 budget report for capital expenditure and financing, and in accordance with its approved Treasury Management Policy Statement and Practices.

Operational Boundary for total external debt

1.39 The proposed operational boundary is based on the same estimates as the authorised limit. However, it excludes the additional headroom which allows for unusual cash movements.

1.40 The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer. Within the operational boundary, figures for borrowing and other long term liabilities are identified separately. Full Council will be requested to delegate authority to the Chief Finance Officer, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the Authorised Limit.

1.41 Any such changes will be reported to the Cabinet at its next meeting following the change.

Table 8: Operational Boundary for External Debt

	2021/22 Est. £000s	**2022/23 Est. £000s**	**2023/24 Est. £000s**	**2024/25 Est. £000s**	**2025/26 Est. £000s**
Borrowing	520,000	510,000	505,000	500,000	490,000
Other Long Term Liabilities	115,000	185,000	185,000	180,000	175,000
Total	**635,000**	**695,000**	**690,000**	**680,000**	**665,000**

Prudential Indicators for Treasury Management

Adoption of the CIPFA Code of Practice for Treasury Management

1.42 The Authority has an integrated Treasury Management Strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. North Tyneside Council has, at any point in time, a number of cash flows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy and Practices.

Upper limits on interest rate exposure 2022-2026

1.43 Full Council will be requested to set an upper limit on its fixed interest rate exposures for 2022/23 through to 2025/26 of 100% of its net outstanding principal sums.

1.44 Full Council will be requested to set an upper limit on its variable interest rate exposures for 2022/23 through to 2025/26 of 50% of its net outstanding principal sums.

1.45 The proposals to set upper and lower limits for the maturity structure of the Authority's borrowings are as follows:

Table 9: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate

	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months to 2 years	50%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	25%
20 years to 30 years	100%	25%
30 years to 40 years	100%	25%
40 years to 50 years	100%	25%

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NORTH TYNESIDE COUNCIL

CAPITAL INVESTMENT STRATEGY

2022-2027

CONTENTS

1. Introduction

The Investment Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Authority's services and informs decisions on capital spending priorities within the Authority's Investment Plan.

Investment Priorities are considered in the context of the strategic objectives of the Our North Tyneside Plan and other key strategies and plans that support the delivery of Our North Tyneside Plan (Appendix 1) and "Our Ambition for North Tyneside" strategy.

Principles for Capital Investment:

1. Investment must be strategically aligned to deliver the Our North Tyneside plan priorities (see below);
2. The Authority will work within a borrowing ceiling in terms of both value and revenue cost, reviewed annually;
3. Whole life costs are considered as part of a capital investment appraisal; including provision to ensure the asset is maintained;
4. For every potential scheme the Authority will explore all possible funding and delivery options; and,
5. Unsupported (prudential) borrowing is funding of the last resort.

Our Investment Plan priorities are as follows:

- Policy priorities;
- Maintaining existing assets;
- Income generating projects;
- Invest to save projects; and,
- Regeneration and key infrastructure enhancements.

Capital investment is technically described as "Expenditure on the acquisition, creation, or enhancement of 'non-current assets". This is items of land, property and plant which have a useful life of more than one year. A fuller definition is attached at Appendix 2. Expenditure outside this definition will be revenue expenditure.

Most non-current assets are properties that are used in service delivery. As at 31 March 2021 the Authority's land, buildings and infrastructure asset base of over 450 properties has a current use Balance Sheet value of approximately £238 million, approximately 945 kilometres of highways and 235 bridges, subways, culverts and other structures with a historic value of £178 million, council housing stock comprising nearly 15,000 properties with a balance sheet value of £653 million and ICT and other equipment with a balance sheet value of £15m. In addition the Authority has an interest in assets of companies in which the Authority has a financial interest in terms of equity and loans.

Although this Strategy focuses on the Authority's management of its own investment in assets, a wider view of capital investment throughout the Borough by both the public and private sectors will have a major influence on meeting the Authority's aims and objectives. The Authority works in close partnership with its partners including the NHS, Schools, Highways England, the Environment Agency, NEXUS and Northumbrian Water.

The Investment Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy and the Corporate Asset Management Plan. Links to both documents are shown in Appendix 1.

In considering the principles, the Authority needs a balance between guidance and prescription to allow a flexible approach to be taken. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Authority's priorities and statutory responsibilities.

The management of the Investment Plan is supported by the Authority's approved Financial Regulations and capital governance process through the Investment Programme Board (see Appendix 4) and the Strategic Property Group.

2. Guiding Principles

2.1 Prioritisation and Approval

Delivery of the "Our North Tyneside Plan" sets the challenge of meeting competing priorities against limited financial resources.

A 'scoring matrix' has been developed to help inform priority schemes and evaluate competing projects for inclusion in the Investment Plan.

The matrix is an aid to evaluate priorities between often very disparate schemes; the overall value of council contribution to capital is ultimately a full Council decision.

All schemes bidding for inclusion on the Investment Plan must follow the approved Investment Plan Gateway process (attached as Appendix 4) and will be subject to a process of prioritisation using the capital scoring matrix (attached as Appendix 3). This process will take place as a minimum on an annual basis. Any bids outside this timescale should be by exception only and will follow the same process.

All schemes will be required to develop a robust business case detailing full capital costs and full life revenue costs, including provision for ensuring that assets are maintained. This will be provided as part of the Gateway 2 submission to the Investment Programme Board for approval prior to commencement of the scheme.

Where funding has been allocated to a programme without individual schemes being identified at the time of approval, (such as a general allocation to a regeneration project, Local Transport Plan, schools for capital maintenance projects), individual schemes within that allocation are subject to each individual scheme being approved by the Investment Programme Board.

2.2 Alternative Funding and Delivery Opportunities

For every potential scheme the Authority will explore all funding options. As capital funding is reduced the Authority will continue to consider alternative methods of supporting capital expenditure within the Authority, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Authority.

The Authority can use its assets to support schemes or aim to maximise funding from any source possible, such as Heritage Lottery or Local Enterprise Partnership funding.
The Authority will continue to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives.

Investments on projects should demonstrate sustainability and any requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All bids are to be agreed by the Investment Programme Board prior to submission.

The Authority receives capital grant funding from government and is able to bid for grant funding direct to particular government departments or from other grant awarding bodies.

Any un-ring fenced capital grants received, even where these are allocated with service intentions of the identified government body awarding the grant, will be required to be approved by the Authority. Consequently once capital grants have been allocated to a specific service by the Authority, individual schemes within that allocation are subject to each individual scheme being approved by the Investment Programme Board.

2.3 Capital Receipts and Capital Contributions

The Authority receives capital receipts and capital contributions from:

- Asset disposals
- Right to Buy Clawback
- Section 106 and Community Infrastructure Levy (CIL)
- Section 278
- Repayment of loans for a capital purpose

Asset disposals

The proposed disposal of land and buildings is reported to Cabinet for approval and receipts from the sale of all assets sold are used to support the Investment Plan in line with funding the Authority's priorities. An asset disposal will be deemed to occur when the Authority transfers the freehold or a long lease (usually over 40 years).

The Authority will aim to ensure best value when disposing of assets, by enhancing the land prior to disposal, where appropriate; e.g. by obtaining planning permission or providing a development plan. As appropriate the Authority may dispose of assets by tender or by public auction.

The Authority will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require a Cabinet decision.

Asset disposals at nil consideration or below market value

The disposal of an asset at below Market Value requires Cabinet approval.

In considering asset disposals, the Authority also needs to take into account the policy on Community Asset Transfers where the Authority will consider, on a case by case basis, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Authority's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Authority proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this is required to be approved by Cabinet. This will also apply where the disposal is for a community or service benefit.

There may be circumstances, such as the transfer of community school assets under the Academies Act, where assets will also be disposed of at nil consideration.

Right-to-Buy Clawback

In line with statutory regulations, 100% of these receipts are currently used to support the provision of the housing function.

Section 106 contributions and Community Infrastructure Levy (CIL)

Section 106 (S106) monies come from developer contributions through the planning system. There are specific conditions attached to the use of the S106 and the monies are used accordingly to support the Authority's priorities.

Any monies received from the Community Infrastructure Levy (CIL) will be allocated under the CIL arrangements ("the Regulation 123 List") in line with the Authority's investment priorities including any specific funding requirements.

Section 278 Contributions

Funding can be made available under Section 278 (S278) of the Highways Act 1980 whereby a developer may be required to contribute to the provision, alteration or improvement to highways in order to facilitate development.

Repayment of loans for a capital purpose

Where the Authority provides a loan for a capital purpose this will be approved and accounted for as capital expenditure. The repayment of a loan by the borrower will be treated as a capital receipt; however any receipts of this nature will be specifically applied to reduce the value of the outstanding loan.

2.4 Revenue and Reserves

The Authority is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government support for revenue expenditure the Authority' does not generally budget to use revenue or reserve funds to directly fund capital projects, within the General Fund, after the feasibility stage. This policy is reviewed on an annual basis.

The Housing Revenue Account business plan recognises revenue contributions to the HRA investment plan through the Major Repairs Reserve and other general revenue contributions.

2.5 Approach to Borrowing

In line with the Treasury Management Strategy, the Authority is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, use its own internal resources (i.e. cash flow). However for all schemes funded from borrowing, the Authority must fund the repayment and interest costs as since 2011 any central government "supported borrowing" allocations and related revenue support ceased. There is an intention that a cap is placed on the overall level of borrowing and that over a 10 year cycle the level of borrowing should reduce. The policy governing the repayment of this borrowing for the General Fund, the Minimum Revenue Provision (MRP) policy, is approved annually by full Council. Repayment of Housing Revenue Account borrowing is laid out in the 30 year Business Plan.

The Authority is only able to borrow for "unsupported borrowing" (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Authority is required to ensure that all borrowing is both prudent, sustainable and affordable. Under the Prudential Code a number of indicators showing ratios of costs and levels of borrowing, are required to be considered and approved by full Council. All schemes funded from prudential borrowing are approved by full Council or Cabinet and are in line with Financial Regulations.

The Authority's Treasury Management Strategy recognises the need to take borrowing to support a number of capital projects, included within the Investment Plan approved by full Council, and reduce the level of internal borrowing. Based on current projected Public Works Board Lending rates, the cost of 2.0-3.5% should be assumed for new borrowing in 2022/23.

The Authority takes a prudent approach to new borrowing, paying particular regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). It is essential that any new proposals for a self-funding or invest to save scheme supported by borrowing has a robust business case that is presented to the Investment Programme Board prior to approval by Council or Cabinet.

To support its revenue budget the Authority will continue to evaluate any capital investment projects either acting alone or with partners that will produce an on-going revenue income stream for the Authority. This is one of the scoring criteria now adopted by the Authority when assessing competing capital projects.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct key infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Authority. The cost of such borrowing falls on the tax payer through payments of debt interest on the Authority's General Fund revenue account and repayment of debt over a specified period of time. There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis, using the Gateway and prioritisation process, with the project evaluation clearly stating how the borrowing is to be afforded.

2.6 Investment Opportunities (including capital loans)

The Authority will consider, if the opportunities arise, the purchase of land and property as an investment – to both generate an on-going income stream or to realise an increased capital value in the future. Depending on the capital funding proposed the appropriate approvals will be requested at that time. Loans for a capital purpose can also be approved subject to a business case and due diligence on the borrower including, as appropriate, guarantees and bonds to secure the repayment of the loan. Any such opportunities would be considered in the first instance by the Investment Programme Board and Cabinet for approval in accordance with Financial Regulations.

Appendix 1 – Key Strategies and Plans linked to the Investment Strategy

Our North Tyneside Plan

Caring and Family friendly	Secure	Thriving	Green	Organisation
Joint Strategic Needs Assessment	Local Plan and Master Plans • Community Infrastructure Levy Schedule (Regulation 123 List)	Strategic Economic Plan	Climate Emergency • Climate Emergency Action Plan • Low Carbon Plan 2016-2027	ICT- Digital Strategy
Health and Wellbeing Strategy	Transport Strategy • Highways Asset Management Plan (HAMP) • Parking Strategy • Cycling Strategy • Network Management Plan	Employment and Skills Strategy	10 Year Plan for Waste	Human Resources- Our Team Plan and Our OD Plan Children's Workforce Strategy
Community Safety Strategy	Housing Strategy • Strategic Housing Market Assessment (SHMA) • Strategic Housing Land Availability Assessment (SHLAA) • HRA business plan • HRA Asset Management Plan	Inclusive Economy strategy	Transport Strategy • Highways Asset Management Plan (HAMP) • Parking Strategy • Cycling Strategy • Network Management Plan	Financial Strategy
Ambition for Education		Estates Strategy		Asset Management Plan
Children and Young People Plan	Flood Alleviation • Flood Risk Management Strategy • Coastal Strategy	Our Ambition for North Tyneside		Treasury Management Strategy Statement
	North Shields Master Plan	North Shields Master Plan		Minimum Revenue Provision Policy
				Prudential Indicators

Appendix 2 – Definition of Capital Expenditure

Capital investment is simply described as:

> ***Expenditure on the acquisition, creation or enhancement of "non-current assets"***
>
> ***(non-current assets are items of land and property which have a useful life of more than 1 year)***

This definition of capital expenditure that the Authority has to comply with for the classification and, therefore, the funding of capital expenditure in linked to International Financial Reporting Standards. "Qualifying Capital Expenditure" under s25 of Local Government Act 2003 is defined when:

> "The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with "proper practices""

"Proper Practice" (from 1 April 2010) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

> "Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management".

"Directly attributable" means that, for example, if building a school, it is the costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

> "Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably" subject to "if the expenditure is to replace a component, the old component must be written out of the balance sheet".

Future economic benefits means that it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance. The measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.

Appendix 3 – Capital Scoring Matrix

Capital Projects Assessment Criteria

Possible Weightings

1. Council Plan Priorities

	Specifically identified in Council Plan		PASS/FAIL
	Identified as a key Project/Activity in the Council Plan or directly supports a number of specific outcomes		
	Generally supports specific Actions or outcomes		
	Will not deliver any identified outcomes		

2. Potential to generate future revenue savings and/or investment return

3 points	Considerable additional net revenue saving and/or income stream meets both £100k pa and > 25% of project cost)	factor = x	**5**
2 points	Moderate additional net revenue saving and/or income stream (meets both £50k - £100k pa and 10-25% of project cost)	Max score	**15**
1 point	Small additional net revenue saving and/or income stream (meets both <£50k pa and < 10% of project cost)		
0 points	No potential net revenue income		
-2 points	Additional on-going resources required over existing budgets		

3. Specific External resources to support scheme (including Regional funding)

3 points	Specific (ring fenced) funding requires no additional Council funds (capital or revenue)	factor = x	**4**
2 points	Specific (ring fenced) funding and requires Council funds of both 10% match funding or up to £250k (capital or revenue)	Max score	**12**
1 point	Specific (ring fenced) funding and requires Council funds of both 50% match funding or between £250-500k (capital or revenue)		
0 points	Specific (ring fenced) funding but requires Council funds of both 75% match funding or > £500k (capital or revenue)		

4. Statutory Status: includes support of a statutory service requirement

3 points	Meets a specific immediate or forthcoming statutory requirement	factor = x	**4**
2 points	Meets an underlying statutory duty	Max score	**12**
1 point	Meets a discretionary requirement		
0 points	no indication of status		

5. Risk to Community of NOT doing (i.e. identified in Risk Register)

3 points	High risk (9-16)	factor = x	**2**
2 points	Medium risk (5-8)	Max score	**6**
1 point	Low risk (1-4)		
0 points	no risk identified		

6. Risk of doing (can project be delivered?) - achievability, timescale, resources required

3 points	Low risk (1-4)	factor = x	**2**
2 points	Medium risk (5-8)	Max score	**6**
1 point	High risk (9-16) with mitigation		
0 points	High risk (9-16) with no mitigation		

7. Condition, health and safety risk and strategic importance of asset issues

3 points	Expenditure on asset will reduce impact of 3 issues	factor = x	**1**
2 points	Expenditure on asset will reduce impact of at least 1 issue	Max score	**3**
1 point	Expenditure will have a possibility of reduced impact in at least 1 issue		
0 points	No demonstrated impact on any issues		

8. Outcomes, added value, cross-service benefit

3 points	Good - Large number of beneficiaries / target groups (>25,000)	factor = x	**1**
2 points	Satisfactory - Significant number of beneficiaries / target groups (10,000-25,000)	Max score	**3**
1 point	Fair - Reasonable number of beneficiaries / target groups (1,000-10,000)		
0 points	Poor - Few beneficiaries / target groups (<1,000)		

Max score	**57**

Appendix 4 – Investment Plan Gateway Process

Investment Programme Board
Governance arrangements for Capital Projects

The purpose of the Gateway process is to ensure that all necessary approvals are secured at all key stages of any Capital project.
Project Officers are responsible for the completion and submission of all Gateway Forms to the Strategic Investment and Property Team (FAO Iain Betham / Fiona Lucas) and must include sign off by the relevant Cabinet Member. The team will then ensure that all Gateway Forms are presented to IPB as required.

Regional Projects

All regional projects come through the IPB Governance arrangements, even if they have already passed regional Gateways. North Tyneside Council to sign off and govern its involvement. All proposals come through Gateway 0—go out to the regional processes—the outputs from that and all necessary information then come back into Gateway 1.

Gateway 0 Strategic Fit

Purpose: Information contained in this submission should be brief but sufficient to demonstrate that a mandate exists, the project or programme has been prioritised and an outline business case has been developed. There is also a requirement to convey how far the idea has been developed in terms of feasibility.
Role: The submission will be scrutinised by the IPB in terms of strategic fit, corporate priorities, available capital resources and estimated revenue implications. This allows the Project Officer to commence the feasibility stage.
Available options: Approve or advise / refer back / reject
Associated Form—Gateway 0

Gateway 1 Feasibility

Purpose: This document constitutes a formal bid for capital investment including inclusion in the Investment Plan. It should provide sufficient information to enable effective financial and technical scrutiny ahead of further review at strategic and member level. Figures on cost and funding should be as accurate as possible. At Gateway 1 there is a focus on viability, affordability, procurement and delivery. The initial submission of the Gateway 1 form will be considered by a sub group of IPB as part of the new scoring matrix. This will ensure that all projects are aligned to the Council's Our North Tyneside Plan and that any financial or other implications are addressed prior to consideration by the full IPB Board
Role: The IPB will scrutinise the bid in terms of its financial and technical viability and management of risk. The IPB will be briefed on outcomes and recommended actions and may wish to prioritise, amend or modify the submission in light of these comments. The IPB provide recommendations to Cabinet to form part of the budget setting and financial management processes, if required.
Available options: Approve or advise / refer back / reject
Associated Form—Gateway 1

Gateway 2 Approval and Delivery

Purpose: Spending approval at Gateway 2 must be secured before any capital expenditure is incurred on a programme / project. This template brings together all the information needed for an appraisal and approval to be given. If the request varies from the budget either in terms of expenditure, funding or both you must explain this variance in Section A8. **In addition this Gateway Form MUST provide information on the spend profile which will be monitored as part of the overall investment plan.** Part A is normally completed by the Programme / Project Manager in consultation with the Finance Link Officer. Part B should be completed by the Programme / Project Manager
Role: Officers in both the Strategic Investment & Property Team and the Client Finance Team will complete final checks to confirm that relevant information has been submitted correctly in Part A & relevant sections of Part C.
Available options: Approve or advise / refer back / reject
Associated Form—Gateway 2

Gateway 3 Exception Report

Purpose: Information contained in this submission should provide the IPB with information on the project & the specific issues as to why the matter has been escalated to the IPB. This could cover project delays, financial concerns or new information that may now have an impact on the project. **In addition this Gateway Form MUST provide information on the spend profile which will be monitored as part of the overall investment plan.** A Gateway 3 submission may be required on more than 1 occasion subject to the issues / matters that may / may not be raised regarding a particular project. **The relevant Project Officer responsible for the project will be expected to attend the IPB to present the Gateway 3 submission.**
Role: The submission will be scrutinised by the IPB in terms of the wider strategic fit, corporate priorities together with the associated implications for capital resources and revenue budgets, prior to submission to Cabinet or Council as required.
Available options: Approve or advise / refer back / reject
Associated Form – Gateway 3

Gateway 4 Project Close

Purpose of Document: The purpose of this document is to confirm financial completion, transfer or the abandonment of a project and to report on the status of associated records. Responsibility for completion of this template should be identified in the follow-on actions and handover plan. Completion of all relevant sections is mandatory to enable consolidated reporting on the Investment Plan.
Scrutiny and Review: The Investment Programme Board will review this submission including for capital accounting and financial closure purposes.
Available options: Approve or request additional information
Associated Form – Gateway 4

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Appendix C
Treasury Management Statement
and
Annual Investment Strategy

2022 / 23

Date: October 2021
Owner: Strategic Finance

North Tyneside Council

1.1 Treasury Management Strategy for 2022/23

1.1.1 The proposed Strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon treasury management officers' view on interest rates, supplemented with market forecasts provided by the Authority's treasury advisor, Link Asset Services. This strategy covers:

- Training;
- Use of External Advisors;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness; and
- Non-Treasury Investments

1.2 Training

1.2.1 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Training sessions have been arranged for November and December 2021 by Link Asset Services to all members involved in the investment decision-making process.

1.3 Treasury management Consultants

1.3.1 The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

Whilst the Authority has external treasury management advisors it recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of its external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, its treasury advisers.

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 Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.4 Investment and Borrowing Rates

Markets remain benign and cautious following the COVID 19 pandemic with interest rates remaining at all time lows. The COVID 19 vaccine programme significantly boosted confidence with the view that life could largely return the normal and restrictions ease.

With the easing of restrictions, the economy has seen significant inflationary pressure driven by pent up demand from COVID, supply chain issues as well as an energy crisis. With inflation in Q3 2021 above the 2% target set for the Bank of England (BoE) has led to the BoE to look at using monetary policy to reduce the economy for overheating and a willingness to increase the bank rate above 0.10% for the first time since March 2020, the beginning of the pandemic.

Financial markets have priced in the first bank rate increase from 0.10% to 0.25% in February 2022 however the Authority's Treasury consultants feel that might be ambitious as the BoE has stated it wishes to see the economic impact of the ending of furlough at the end of September 2021 before intervening with changes to interest rates.

The impact of an interest rate would lead to increased borrowing costs as well as potential increases in investment yield.

1.5 Borrowing Strategy

1.5.1 The Authority's capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns have remained low and counterparty risk is relatively high.

The Authority's borrowing strategy will give consideration to new loans in the following order of priority:

- The cheapest borrowing and lowest risk approach is internal borrowing. By continuing to maintain a relatively low level of cash balances the risk of investment is reduced. However, in view of the overall forecast for long-term borrowing rates to remain stagnant over the next few years, consideration will be given to weighing the short-term advantage of internal borrowing against potential long-term costs if the opportunity is missed for taking loans at long-term rates which may be higher in future years;
- Temporary borrowing from money markets or other local authorities;
- Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintain an appropriate balance between PWLB and market debt in the debt portfolio;
- PWLB borrowing for periods under ten years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt; and
- PWLB borrowing for periods of longer than ten years may be explored.

1.5.2 The principal risks that impact on the Strategy are the security of the Authority's investments and the potential for sharp changes to long and short-term interest rates. Officers, in conjunction with the Authority's treasury advisor, will continue to monitor the financial standing of banks and building societies, and the level of interest rates, both those prevailing and forecast.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head of Resources will monitor the interest rates in financial markets and adopt a pragmatic approach to changing circumstances, reporting any decisions to Cabinet or full Council, as appropriate, at the next available opportunity. Such circumstances include a situation where:

- If it were felt that there was a significant risk of a sharp fall in long and short-term interest rates, then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term funding will be considered; or
- If it were felt there was a significant risk of a much sharper rise in long and short-term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

1.6 Policy on borrowing in advance of need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

1.7 Debt Rescheduling

1.7.1 As short-term borrowing rates will be considerably cheaper than longer-term interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Any position taken via rescheduling will be in accordance with the strategy position outlined above.

In order to generate the most attractive debt rescheduling opportunities, it is proposed that the strategy for 2022/23 should remain flexible. The reason for any rescheduling to take place may include:

- the generation of cash savings and / or discounted cash flow savings at minimum risk;
- to help fulfil the strategy outlined above; and
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to Cabinet as part of the next financial management report at the meeting following its action.

2.1 Annual Investment Strategy

2.1.1 Investment policy – management of risk

The Department for Levelling Up, Housing and Communities (DLUHC) and Chartered Institute of Public Finance and Accountancy (CIPFA) have extended the meaning of 'investments' to include both financial and non-financial investments. This section of the report deals solely with financial investments. Non-financial investments, essentially the purchase of income yielding assets, are covered later in the report.

The Authority's investment policy has regard to the following:

- DLUHC (formerly MHCLG's) Guidance on Local Government Investments;
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017;
- CIPFA Treasury Management Guidance Notes 2018.

The Authority's investment priorities are:

a) the security of capital;
b) the liquidity of its investments; and,
c) Yield (return).

2.1.2 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are their short-term and long-term ratings;

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to 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 achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings;

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

4. This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in within the Investments and Credit Criteria under the categories of 'specified' and 'non-specified' investments:

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year; and
- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. The Authority has determined that it will limit the maximum total exposure to non-specified investments as being 25%;

6. Lending limits for each counterparty will be set through applying the matrix table within the Investments and Credit Criteria table;

7. Transaction limits are set for each type of investment in within the Investments and Credit Criteria table;

8. This Authority will set a limit for its investments which are invested for longer than 365 days;

9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating;

10. This Authority has engaged external consultants to provide advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year;

11. All investments will be denominated in sterling; and

12. Following the introduction of IFRS 9 as a result of the type of type of investments the Authority holds, there has been no material impact on the Authority's financial statements.

The Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

There have been no changes in risk management policy from last year, and the above criteria are unchanged.

2.3 Investment Strategy

2.3.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates. Greater returns are usually obtainable by investing for longer periods. While most cash flow balances are required in order to manage day to day cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed:

- If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as short-term or variable; or

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectation

A prudent approach will be taken with all investments being made on a short-term basis; in the current economic climate. This will primarily be achieved through investing with selected banks and funds which meet the Authority's credit rating criteria, as set out in Appendix E.

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

2.4 Creditworthiness Policy

2.4.1 The Authority applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit default swaps (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration of investments.

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system; it does not give undue preponderance to one agency's ratings.

The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service:

- If a downgrade results in the counterparty no longer meeting the Authority's minimum criteria, its further uses as a new investment will be withdrawn immediately; and
- In addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list. Sole reliance will not be placed on

the use of this external service. In addition, this Authority will also use market data and market information on any external support for banks to help support its decision-making process.

Investment Instruments and Credit Criteria

Investment instruments used for the prudent investment of the Authority's cash balances are listed below under the 'Specified' and 'Non-Specified' Investment categories.

Specified Investments – are those investments offering high security and liquidity. All such investments will be in sterling, with a maximum maturity of one year, meeting the minimum 'high' rating criteria where applicable. Table 1 below shows the credit rating criteria used to select with whom the Authority will place funds:

Table 1: Specified Investments and Credit Criteria

The minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available or other market information, to support their use.

	Credit Criteria	**Maximum Deposit**	**Maximum Period**
UK Government Debt Management Office (DMADF)	N/A	£75m	6 months
UK Local Authorities	N/A	£10m each	1 year
UK Government Treasury Bills	UK Sovereign Rating	£10m	1 year
Term deposits with individual bank or building society entity	Blue /Orange Red Green No Colour	£5m each	12 months 6 months 100 days Not for use
Certificate of Deposits with banks and building societies	Blue /Orange Red Green No Colour	£5m each	12 months 6 months 100 days Not for use
Money Market Funds *(CNAV, LVNAV,VNAV)	AAA	£5m each	Liquid

*CNAV- Constant Net Asset Value
LVNAV- Low Volatility Net Asset Value
VNAV- Variable net Asset Value

Group Limit – A group limit is the maximum exposure that can be held in total across a group of entities which fall within a single parent. For example, Bank of Scotland PLC falls within the group of Lloyds Bank PLC, therefore no more than £10m can be invested across

the group.
A Group limit of £10m will not be exceeded.

Non-specified Investments - are all sterling denominated, with maturities in excess of one year. A maximum of 25% may be held in aggregate in non-specified investments. Table 2 below shows the counterparties with whom the Authority will place funds:

Table 2: Non-Specified Investments

	Credit Criteria	**Maximum Deposit**	**Maximum Period**
UK Local Authorities	N/A	£5m each	3 years

Appendix D

2021-2025 Financial Planning and Budget Process

Timetable of Key Milestones for 2021/22

Date / Meeting	Detail
21 September 2020 **Cabinet**	Cabinet approves the 2021-2025 Financial Planning and Budget process, incorporating the associated Engagement Strategy.
21 September 2020 **Cabinet**	Cabinet agrees the 2021/22 Council Tax Support Scheme for consultation.
12 September 2019 to 16 November 2020	Public consultation period on the 2021/22 Local Council Tax Support Scheme.
30 November 2020 **Cabinet**	Cabinet considers its 2021-2025 initial Budget proposals in relation to General Fund, Schools, Housing Revenue Account & Investment Plan for 2021-2025.
30 November 2020 **Cabinet**	Cabinet considers the outcomes of the consultation on the 2021/22 Council Tax Support Scheme and proposes a scheme for Council to consider on 21 January 2021.
1 December 2020	Notice of Objection process for the 2021/22 Budget commences.
1 December 2020	Budget and Council Plan engagement process begins. Ends in January 2021.
December 2020 **Scrutiny Process**	Scrutiny of the 2021-2025 Financial Planning and Budget process.
Mid-late December 2020	Estimated timing of the 2021/22 Provisional Local Government Finance Settlement.

Date / Meeting	Detail
21 January 2021 **Council**	Council considers the proposed 2021/22 Local Council Tax Support Scheme from Cabinet and agrees or amends the scheme for 2021/22.
25 January 2021 **Cabinet**	2021/22 Council Tax Base agreed by Cabinet.
11 January 2021 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee/Budget Study Group as appropriate considers Cabinet's final Budget proposals.
1 February 2021 **Cabinet**	Cabinet approves the final proposals in relation to the 2021/22 Housing Revenue Account budget and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2020/21). In addition, Cabinet will agree the Annual Housing Rent policy for 2021/22.
1 February 2021 **Cabinet**	Cabinet considers its Budget proposals for 2021-2025 in relation to General Fund Revenue, Schools and Investment Plan, taking into account feedback received as part of Budget Engagement.
2 February 2021 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee considers the results of its review of the 2021-2025 Financial Planning and Budget and Council Plan process.
8 February 2021 **Cabinet**	Cabinet meeting to consider any recommendations of the Overview and Scrutiny Budget Study Group following its review of the Cabinets 2021/22 Budget and Council Tax proposals.
16 February 2021	4pm deadline for responses to the Authority's Notice of Objection
18 February 2021 **Council**	Reconvened Council meeting to consider Cabinet's estimates of amounts for the 2021-2025 Financial Planning and Budget process and Council Tax levels. Consideration of any responses to the Notice of Objection.
22 February 2021 (if required) **Cabinet**	Cabinet Meeting to consider any objections to Cabinet's Budget and Council Plan proposals.

	The Cabinet meeting on 22 February 2021 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.
4 March 2021 (if required) **Council**	Council meeting to agree the Budget for 2021/22, the Council Tax level for 2021/22 and the Investment Plan for 2021-2025

Glossary of Terms

Asset Management Strategy	Asset Management Strategy is a high-level document that guides the overall investment in existing and new assets within an organisation. Being a strategy it explores long term issues and ensures that the overall plan is linked to the key "strategic" priorities of the organisation.
Authorised Limit	Borrowing is prohibited beyond this limit. This limit reflects the level of borrowing that, while not desired or sustainable, could be required with some headroom for unexpected cash flow movements. It includes both temporary borrowing for cash flow purposes and long-term borrowing to finance capital expenditure.
Balances	The reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short-term interest rates in the money markets.
Better Care Fund (BCF)	A pooled Budget arrangement between the Authority and the local Clinical Commissioning Group, which aims to bring greater integration between health and social care.
B/Fwd	The balance in the Statement of Accounts that has been brought forward from the previous period, normally the previous financial year.
Borrowing	Refers to external borrowing.
Brexit	The potential departure of the United Kingdom from the European Union.
Budget	A plan of expected expenditure and income over a set period of time for example the Authority's revenue Budget covers a financial year.
Budget Holder	A nominated officer in a Service area who has responsibility for the control and monitoring of a particular Budget.
Budget Manager	A nominated officer in a Service area who has responsibility for the control and monitoring of the budgets within a service area.
Budget Monitoring	The analysis and reporting of expenditure/ income against budget. Budget monitoring is carried out by Service area alongside the Finance Service on a monthly basis.
Budgetary Control	The use of budget monitoring information to manage the Budget and bring spend in on target for the year.
Business Rates	Business Rates also known as Non Domestic Rates (NDR) is a charge levied upon all non-domestic properties. The rateable value of non-domestic premises is determined by the Valuation Office Agency (part of the Inland Revenue). This rateable value is multiplied by a national multiplier (set each year by central Government) to arrive at the gross annual amount each business must pay. This can be reduced by reliefs, dependent on the size and circumstances of the business, to arrive at the net amount payable. Business Rate Retention Regulations were introduced in April 2013. These determine the proportion of Business Rates retained by Local Authorities and its preceptors, or transferred to Central Government.
Capital Financing	The resources required to fund capital payments e.g. • borrowing • the application of useable capital receipts

	• a direct charge to revenue • the application of a capital grant or contribution.
Capital Financing Requirement (CFR)	This measures the Authority's underlying need to borrow for a capital purpose. It is a calculation of capital costs less funding from capital receipts, grants and contributions to give the balance to be funded by borrowing. The Authority needs to ensure that over the medium term net borrowing does not exceed the CFR. The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code.
Capital Investment / Expenditure	The total amount spent on capital including all those items capitalised under statute e.g. equal pay and grants to third parties.
C/Fwd	The balance in the Statement of Accounts that is "carried forward" to a future period, normally the next financial year.
CIPFA	Chartered Institute of Public Finance and Accountancy, which is the leading accountancy body for public services.
CCG	Clinical Commissioning Group – an NHS body which commissions community and hospital based healthcare for a local area.
Consumer Price Index (CPI)	The index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy, including food, heating, household goods and travel costs. It forms the basis for the Government's inflation target, which the Bank of England's Monetary Policy Committee is required to achieve.
Contingencies	Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.
Cost Centre	A code created in General Ledger to record expenditure and income for a particular activity. For example a library or a school.
Council Tax	The main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values), which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.
Counterparty	The organisations responsible for repaying the Authority's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	These contracts reflect the market perception of an institution's credit quality unlike credit ratings, which often focus on a longer-term view. CDS contracts can be compared with insurance, as a buyer of a CDS pays a premium insuring against a debt default.
Credit Rating	This is a scoring system that lenders use and publish to determine how credit worthy individuals and businesses are.
DCLG	Department for Communities and Local Government.
Debt	The sum of borrowing and other long-term liabilities.
Debt Management Office (DMO)	Debt Management Office (DMO) is the executive agency responsible for carrying out UK Government's debt management.
Depreciation	The gradual conversion of the cost of an asset into an operational expense over the asset's estimated useful life. Depreciation reflects a reduction in the book value of the asset due to obsolescence or wear

	and tear and it spreads the purchase cost proportionately over a fixed period to match the income generated by the asset.
DfE	Department for Education.
DWP	Department for Work and Pensions.
External debt	All borrowing, whether for capital or revenue purposes.
Fees and Charges	Income arising from the provision of a service.
Financial Regulations	Rules that set out the financial policies of the Authority and help to ensure that the assets of the Authority are protected and properly deployed.
Financial Year	1 April to 31 March.
Forecast Out-turn	A prediction of the final income and expenditure based at the year-end.
General Ledger (GL)	The prime financial record for the Authority. The General Ledger records all the expenditure incurred and all the income generated by the Authority.
Gilts	The UK Government issues gilts in order to finance public expenditure. They are generally issued for a set period and pay a fixed rate of interest for this period.
Holding Accounts	These are accounts within the General Ledger relating to a specific building or service (internal to the Authority) where costs are collected then shared out to the users of the building or service.
Housing Revenue Account (HRA)	Those authorities with a council-owned housing stock have a duty to maintain an additional account called the Housing Revenue Account (HRA).The HRA specifically accounts for spending and income relating to the management and maintenance of the council-owned housing stock. By law it must be kept separate from other Authority accounts.
IFRS	International Financial Reporting Standards – the basis on which the Authority’s accounts are prepared from 2010/11 onwards.
IBCF	Improved Better Care Fund is a Grant paid directly to Local Authorities to support Adult Social Care in ways, which also benefit Health. This was paid for the first time in 2017/18 and continues into 2020/21.
Journal Transfer	A journal transfer is used to correct miscoded transactions or to allocate costs/income within or across Service areas in the General Ledger.
Lenders Option Borrowers Option (LOBOs)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate, the borrower can then decide whether to accept the new terms or repay the loan.
LGPS	Local Government Pension Scheme.
Local Government Finance Settlement	The Local Government Finance Settlement is the annual distribution of funding determined by the Government and debated by Parliament. It has two key elements: 1. A Provisional Local Government Finance settlement, which is normally received in December. This is then subject to a specific Government Consultation.

	2. A Final Local Government Finance settlement that is normally received in late January / early February after the government has had time to consider the representations made to the Provisional Local Government Finance Settlement.
Long Stop Control	The Secretary of State may, by direction, set limits in relation to the level of borrowing of money by a particular local authority to ensure that the authority does not borrow more than it can afford.
Long term	A period of one year or more.
Major Repair Allowance (MRA)	Before Self Financing was introduced in April 2012, the rent payable across to Central Government as part of subsidy was calculated taking into account several factors including a major repairs allowance, which was intended to ensure that councils retained sufficient money to be able to maintain their housing assets.
Maturity	The date when an investment or loan is repaid or the period covered by a fixed term investment or loan.
MHCLG	Ministry of Housing, Communities and Local Government
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	This is where financial instruments are traded. Participants use it as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision (MRP) is statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities
National Living Wage	The National Living Wage is an obligatory minimum wage payable to workers in the United Kingdom aged over 25, which came into effect on 1 April 2016.
Net Revenue Stream	This is the net revenue Budget.
Operational Boundary	This is the most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long-term liabilities (e.g. finance leases and PFI), with separate boundaries having to be identified for each of these. It encompasses all borrowing, whether for capital or revenue purposes.
Other Long Term Liabilities	The sum of the amounts on the face of the Balance Sheet that are classified as liabilities and are for periods in excess of 12 months, other than borrowing repayable within a period in excess of 12 months e.g. finance leases, PFI and Longbenton transferred debt.
“Pay to stay”	Pay to Stay was the name of a government policy in the United Kingdom whereby council tenants earning £30,000 (£40,000 in London) would have to pay "market or near market rents".
PFI	The private finance initiative is a way of creating "public–private partnerships" by funding public infrastructure projects with private capital.

Precept	The levy determined by precepting authorities on billing authorities. It requires the billing authority to collect income from council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.
Profiling	A method by which budgets are spread across the year to reflect patterns of spend.
Projections	A forecast of expenditure and income to the year-end based on known commitments and trends.
Prudential Borrowing	See Unsupported borrowing.
Prudential Code	The current system of financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate within.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.
Quantitative Easing	The printing of money by the country's central bank in order to increase the supply of money.
Reprogramming	Refers to changes to the timing of projects in the Investment Plan between years.
Reserves	Amounts which are set aside in the accounts to meet expenditure which the Authority may decide to incur in a future period, but which are not allocated to specific liabilities that are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as 'balances', and usually arise as unplanned surpluses of income over expenditure. This will include the House Building Fund, Strategic Reserve, Insurance Reserve and the Support Change Fund Programme.
Revenue Expenditure	Expenditure on the day-to-day running costs of a service for example employees and transport.
Revenue Support Grant (RSG)	A central government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.
Right to Buy	The Right to Buy scheme is a policy in the United Kingdom (with the exception of Scotland since August 1st 2016) which gives secure tenants of councils and some housing associations the legal right to buy, at a large discount, the council house they are living in
RPI – Retail Price Index	The Retail Price Index (RPI) is published on a monthly basis and it shows the changes in the cost of living. It reflects the movement of prices in a representative sample of goods and services used regularly, such as food, housing, clothing, household goods and transport. Items considered the most important are given a higher weighting in the overall index.
S256 agreements	Legal agreements that allow Health to transfer money to Local authorities using powers listed under Section 256 (s256) of the Health & Social Care Act
Self Financing	Housing Revenue Account (HRA) self-financing commenced in April 2012. Local housing authorities from this date were able to fully retain the money they received in rent in order to plan and provide services to their current and future tenants and in return took on a level of historical debt.

SEN	The term 'special educational needs' has a legal definition, referring to children who have learning problems or disabilities that make it harder for them to learn than most children of the same age.
Service Area	Groups of related cost centres.
Settlement Funding Assessment	For individual local authorities, this comprises of the Revenue Support Grant for the year in question and the Baseline Funding Level.
Short-term	A period of less than one year.
SLT	Senior Leadership Team – this includes the Chief and Deputy Chief Executive and all Heads of Service.
Subjective	A subjective is a code within the General Ledger that indicates the type of expenditure incurred, for example basic pay. A subjective can also be used to record the type of income generated, for example rents and fees.
Supported Borrowing	This is borrowing to fund expenditure in the Investment Plan where the annual financing costs of such borrowing are supported by government through formula grant. No new supported borrowing has been awarded since 2010/11.
Trading Account	These accounts within the General Ledger hold the values of both the cost and income of a traded or recharged service e.g. cleaning or transport. Customers can be internal or external to the Authority.
Transitional Protection	North Tyneside agreed that for those tenants who were already residents of an NTC sheltered property at the point of the Sheltered Housing PFI works would have their rent held at the level they paid before the investment.
Treasury Management	The management of the Authority's 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.
Unitary charge	A PFI contract bundles the payment to the private sector as a single ('unitary') charge for both the initial capital spend and the ongoing maintenance and operation costs.
Universal Credit	Universal Credit is a social security benefit in the United Kingdom introduced in 2013 to replace six means-tested benefits and tax credits: income based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income based Employment and Support Allowance and Income Support.
Unsupported Borrowing	This relates to borrowing to fund expenditure where the annual financing costs have to be met from the Authority's own revenue resources. This is also known as prudential borrowing.
Variance	The difference between net budgeted expenditure and income compared to net actual expenditure and income i.e. the actual or predicted overspend or underspend against Budget.
Virement	A transfer of budgets from one area of the Budget to another.
Yield	Return on an investor's capital investment.
Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer-term yields then it is called a positive yield curve. If short-term yields are higher than longer-term yields it is called an inverted yield curve. If there

	is little difference between short and long-term yields then it is a flat yield curve.

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HOUSING REVENUE ACCOUNT – REVISED HRA BUSINESS PLAN 2022-26 **APPENDIX F**

	2021/22 Forecast Outturn	2022/23 Draft Budget	2023/24 Draft Budget	2024/25 Draft Budget	2025/26 Draft Budget
	£m	**£m**	**£m**	**£m**	**£m**
Rent, Garages and Service Charge Income	(61.091)	(62.891)	(64.498)	(66.191)	(67.982)
PFI Credits - North Tyneside Living	(7.693)	(7.693)	(7.693)	(7.693)	(7.693)
Rent from Shops, Offices etc.	(0.403)	(0.355)	(0.355)	(0.362)	(0.362)
Interest on Balances	(0.050)	(0.050)	(0.050)	(0.050)	(0.050)
Contribution from Balances	(1.562)	(0.371)	(0.232)	(0.270)	0.000
Total Income	**(70.799)**	**(71.360)**	**(72.828)**	**(74.566)**	**(76.087)**
Capital Financing Charges	12.969	12.514	12.262	10.628	10.756
Management Costs	10.829	11.251	11.470	11.593	11.570
Repair and Maintenance	12.345	12.799	12.998	13.220	13.449
PFI Contract Costs – North Tyneside Living	10.037	9.786	9.836	9.887	9.941
Revenue Support to Strategic Investment	10.551	10.281	10.185	12.632	13.160
Depreciation / Major Repairs Account (MRA)	13.276	13.739	14.220	14.719	15.232
Bad Debt Provision	0.728	0.750	0.773	0.796	0.820
Transitional Protection	0.050	0.040	0.030	0.020	0.010
Management Contingency	0.015	0.200	0.200	0.200	0.200
Pension Fund Deficit Funding	0.000	0.000	0.855	0.871	0.890
Contribution to Balances	0.000	0.000	0.000	0.000	0.059
Total Expenditure	**70.799**	**71.360**	**72.828**	**74.566**	**76.087**

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
HRA Balances	**£m**	**£m**	**£m**	**£m**	**£m**
Estimated HRA Balances B/Fwd	**(5.002)**	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**
Contribution to/from HRA	**1.562**	**0.371**	**0.232**	**0.270**	**(0.059)**
Estimated HRA Balances C/Fwd	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**	**(2.627)**

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APPENDIX G – HRA FINANCIAL PLAN AND RESERVES AND CONTINGENCY MOVEMENT 2022-26

HRA Forecast Expenditure Plan	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Original Base Budget	1.943	0.371	0.232	0.270
Add:				
Pressures and Growth				
North Tyneside Living (NTL) – Unitary charge	0.109	0.111	0.114	0.118
Depreciation (formerly MRA)	0.465	0.481	0.498	0.515
Housing Investment Plan-revenue support	(0.240)	(0.096)	2.448	0.528
Pension Fund Deficit Funding	0.000	0.855	0.017	0.017
Revenue Repairs – Inflation/Pay Award (Incl. for increased material costs)	0.448	0.252	0.255	0.258
Revenue Repairs – Adult Social Care Levy	0.085	0.000	0.000	0.000
General Management Pay Award	0.215	0.219	0.223	0.228
General Management – Adult Social Care Levy	0.061	0.000	0.000	0.000
ICT Strategy – Unified Systems Review Project Costs	0.100	0.000	(0.100)	(0.250)
Bad Debt Provision	(0.280)	0.023	0.023	0.024
Total - Pressures and Growth	**0.963**	**1.845**	**3.478**	**1.438**
Efficiency Savings				
Council Dwellings – Rebasing and Rent Increase	(1.780)	(1.525)	(1.609)	(1.705)
Temporary and Dispersed Accommodation – Rent Increase	(0.013)	(0.010)	(0.010)	(0.010)
Garage & Other Rents – Rebasing & Rent Increase	(0.009)	(0.009)	(0.016)	(0.010)
NTL – Transitional Rent Protection	(0.010)	(0.010)	(0.010)	(0.010)
Service Charges – Furniture Packs – Rent Increase	(0.033)	(0.022)	(0.023)	(0.023)
Service Charges – Sheltered and Communal Areas – Rent Increase	(0.062)	(0.041)	(0.042)	(0.043)
Treasury Management – Existing Debt & DME	(0.104)	(0.149)	(0.153)	(0.112)
Treasury Management – New and Temporary Debt	(0.050)	0.000	0.000	0.000
Treasury Management – Debt Set Aside (MRP Equivalent)	(0.331)	(0.103)	(1.481)	0.240
North Tyneside Living – contribution to/from Reserve Monitoring Costs	(0.059)	(0.061)	(0.063)	(0.064)
Repairs Budget–impact of stock reductions	(0.084)	(0.053)	(0.033)	(0.030)
Total – Efficiency Savings	**(2.535)**	**(1.984)**	**(3.440)**	**(1.767)**
Reserves & Contingencies				
General Management Contingency - Review	0.000	0.000	0.000	0.000
Repairs Contingency - Review	0.000	0.000	0.000	0.000
Total – Reserves & Contingencies	**0.000**	**0.000**	**0.000**	**0.000**
Revised Base Budget	**0.371**	**0.232**	**0.270**	**(0.059)**

APPENDIX B (ii) – HRA FINANCIAL PLAN AND RESERVES AND CONTINGENCY MOVEMENT 2022-26 (Contd)

HRA Revenue Balances	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Changes in Contingencies	0.000	0.000	0.000	0.000
Contribution to/(from) Balances	(1.562)	(0.139)	0.038	(0.329)
TOTAL	**(1.562)**	**(0.139)**	**0.038**	**(0.329)**

Treasury Management Practices

2022/23

Date: Oct 2021
Owner: Treasury Management Officer

North Tyneside Council

Table Of Contents

This section contains the schedules that set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

Background

CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities:

TMP1 Risk management

TMP2 Performance measurement

TMP3 Decision making and analysis

TMP4 Approved instruments, methods and techniques

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP6 Reporting requirements and management information arrangements

TMP7 Budgeting, accounting and audit arrangements

TMP8 Cash and cash flow management

TMP9 Money laundering

TMP10 Training and qualifications

TMP11 Use of external service providers

TMP12 Corporate governance

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council. There are no major changes to practices from prior year.

TMP1 - RISK MANAGEMENT

The Authority regards a key objective of its treasury management and other investments activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investments including investment properties.

The Head of Resources (Section 151 Officer) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP 6 Reporting Requirements and Management Information arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current resources.

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisation's with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 Approved Instruments Method and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Further details of the Authority's credit and counterparty limits are available within the Authority's Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS).

1. 2 Liquidity Risk Management

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective risk management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will therefore be compromised.

The Authority will ensure it has adequate, not excessive, cash resources, borrowing arrangements, overdraft, or standby facilities to enable it at all times to have the level of funds available to it which is necessary for the achievement of its business service objectives.

The Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1 Amounts of approved minimum cash balances and short-term investments

The Treasury Management team shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working. Borrowing or lending shall be arranged in order to achieve this aim.

1.2.2 Details of:

a) Bank overdraft arrangements
A £1m overdraft at 2.5% over base has been agreed with Barclays Bank as part of the banking services contract. The overdraft is assessed on a group basis for all the Authority's accounts.

b) Short-term borrowing facilities
The Authority accesses temporary loans through brokers on the London Money Market, the Authority's own bank, banks and other local authorities.

1.3 Interest rate risk management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately. The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary implications.

- Details of approved interest rate exposure limits;
- Trigger points and other guidelines for managing changes to interest rate levels;
- upper limit for fixed interest rate exposure; and,
- Upper limit for variable interest rate exposure

1.3.1 Policies concerning the use of instruments for interest rate management

a) Forward dealing
Consideration will be given to dealing from forward periods depending upon market conditions.

b) Callable deposits
The Authority will use callable deposits as part of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the Annual Investment Strategy.

1.4 Exchange rate risk management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

1.4.1 Approved criteria for managing changes in exchange rate levels

a) As a result of the nature of the Authority's business, the Authority may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

b) Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity.

1.5 Refinancing risk management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Authority for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

The Authority will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any source of funding if this might jeopardise achievement of the above.

1.5.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Authority will establish through the Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reason for any rescheduling to take place will include;
a) The generation of cash savings at minimum risk
b) To reduce the average interest rate
c) To amend the maturity profile and balance volatility of the debt portfolio

1.5.2 Projected Capital Investment Requirements

The Head of Resources (Section 151 Officer) will prepare a four-year plan for capital expenditure for the Authority. The investment plan will be used to prepare a four-year revenue budget for all forms of financing charges. The Head of Resources (Section 151 Officer) will also draw up a capital strategy report which will give a longer-term view.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practices as per the Code of Practice on Local Authority Accounting.

1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In consideration of affordability of its investment plans, the Authority will consider all the resources currently available for the future together with the totality of its investment plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also take into account affordability in the longer term beyond the three-year period.

1.6 Credit and counterparty risk management

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Authority an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Authority recognises its prime responsibility to always put first the preservation of the principal of the sums, which it invests. Consequently, it will optimise returns commensurate with the management of the associated risks.

1.6.1 Legal and regulatory risk management

The risk that the Authority itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Authority suffers losses accordingly.

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties to whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' power, authority and compliance in respect of the transactions they may effect with the organization, particularly to duty of care and fees charged.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and will seek to minimise the risk of these impacting adversely on the Authority.

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the financial regulations of the Authority. These are listed as appendix 1 of this document.

1.6.2 Procedure for Evidencing the Council's Powers

The Authority's power to borrow and invest are contained in legislation.
a) Investing: Local Government Act 2003, section 12
b) Borrowing: Local Government Act 2003, Section 1

In addition, it will make available the scheme of delegation of treasury management activities which states which officers carry out these duties and also a copy of officer's authorised signatories.

Lending shall only be made to counterparties on the Approved Lending list. The list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moody's and Standard & Poors.

1.6.3 Statement on the Council's Political Risks and Management

The responsible officer shall take appropriate action with the Council, the Chief Executive Officer and the Leader of the Council to respond to and manage appropriate political risks such as change of majority group, leadership in the Council, change of Government and any other necessary risks.

1.6.4 Monitoring Officer

The monitoring officer is the Head of Law and Governance; the duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

1.6.5 Chief Finance Officer

The Chief Finance Officer (Section 151 Officer) is the Head of Resources; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to report to Council any concerns as to the financial prudence of its actions or its expected financial position.

1.8 Fraud, error and corruption, and contingency management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements.

The Authority will;

- seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimise such risks.
- Staff will not be allowed to take up treasury management activities until they have received training in procedures and are then subject to an adequate and appropriate level of supervision.
- An up to date record of all transactions, limits etc must be maintained by the treasury function.

1.9 Details of systems and procedures to be followed

The Authority will demonstrate compliance with statutory power and regulatory requirements for all treasury activities, if required to do so, to all parties with whom it deals on such activities.

1.9.1 Authority

The Scheme of Delegation to Officers sets out the delegation of duties to officers. All loans and investments are negotiated by the responsible officer or authorised persons.

1.9.2 Investment and Borrowing Transactions

A detailed register of loans and investments is maintained in the treasury section. This is checked to the ledger balances online (Barclays.net).

Cash flow forecasting records are maintained and support the decision to lend or borrow.

Confirmation is received and checked against the dealer's record for the transaction.

Transactions placed through the brokers are confirmed by a broker note showing details of the loan/investment arranged. Written confirmation is received and checked against the dealer's record for the transaction.

The loans register is updated to record all lending and borrowing.

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority internally.

Workbooks maintained and updated by Treasury colleagues for the purpose of PWLB loan management calculates periodic interest payments of PWLB and other long-term loans.

The Treasury Management cashflow workbook prompts the Treasury Officer that money borrowed or lent is due to be repaid.

1.9.3 Regularity and Security

All lending is only made to institutions on the Approved List of Counterparties.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Counterparty limits are set for every institution that the Authority invests with.

There is a separation of duties in the section between dealers and the checking and authorisation of all deals.

The Authority's bank (Barclays Bank) have a list of Council officials who are authorised signatories for treasury management transactions as well as those authorised to contact Barclays.

No member of the treasury team is an authorised signatory.

The on-line banking system can only be accessed by a password and use of an authentication reader.

There is adequate insurance cover for employees involved in loans management and accounting.

Checks

The bank reconciliation is carried out daily from the bank statement to the financial ledger.

The treasury management workbook balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.

Working papers are retained for audit inspection.

We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit and Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

Calculations

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the treasury management system.

The treasury management workbooks automatically calculate periodic interest payments of PWLB and other long term loans. This is used to check amounts paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated using information from the financial ledger and treasury management system.

1.8.1. Emergency and contingency planning arrangements

Key treasury management colleagues have been provided with business continuity plan (BCP) contingencies.

All computer files are backed up as necessary, the core banking system is accessible remotely as well as without need to access the server.

1.8.2. Insurance cover details

Fidelity Insurance

The Council has ‘Fidelity’ insurance cover with Maven Public Sector. This covers the loss of cash by fraud or dishonesty of employees.

1.8.3. Market risk management

The risk that through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.5 Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value may Fluctuate

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 - PERFORMANCE MEASUREMENTS

2.1 Evaluation and Review of Treasury Management Decisions

The Authority has a number of approaches to evaluating treasury management decisions;

- Periodic reviews carried out by the treasury team
- Reviews of our treasury management advisers
- Annual review at the end of the year as reported to Full Council
- Mid-year Treasury Management monitoring update to Cabinet

2.2 Review of our Treasury Management Consultants

The treasury management team holds reviews with our consultants every regularly to review the performance of the investment and debt portfolio.

2.3 Annual Review after the end of the Financial Year

An Annual Treasury Report is submitted to Cabinet each year after the close of the financial year which reviews the performance of the debt/investment portfolios. The report contains the following:

- Total debt and investments at the beginning and close of the financial year and average interest rate
- Borrowing strategy for the year compared to actual strategy
- Investment strategy for the year compared to actual strategy
- Explanation for variance between original strategies and actual
- Debt restructuring done in year
- Actual borrowing and investment rates available through the year
- Compliance with Prudential and Treasury Indicators

2.4 Comparative Reviews & Performance Measurement

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other authorities with similar size portfolios.
The Authority are part of Link Asset Services Benchmarking group. The Authority's investment performance is benchmarked against other Local Authorities.

Investment performance is reviewed on a weighted average basis against other Local Authorities.

2.5 Policy Concerning Methods for Testing Value for money in Treasury Management

2.5.1 Frequency and Processes for Tendering

Tenders are normally awarded on a 3-year basis with the option to extend for a further year. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.5.2. Banking Services

Banking services will be retendered or renegotiated every 5 years with an option to extend for further years.

2.5.3. Money-broking services

The Council will use money broking services in order to make deposits or to borrow and will establish charges for all services prior to using them.

2.5.4 Consultants Services

The Authority's policy is to appoint professional treasury management consultants.

The Authority has not appointed external investment fund managers.

TMP 3 - DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending and New Instruments/Techniques:

3.1.1. Records to be kept

The treasury section has a transaction register in which all investment and loan transactions are recorded. The following records will be retained;

- Daily cash balances
- Market rates
- Payment documents for all money market transactions
- Brokers confirmation for investment and borrowing transactions
- PWLB borrowing confirmations

3.1.2. Processes to be pursued

- Daily cash flow analysis
- Debt and maturity analysis
- Ledger reconciliation

3.1.3. Issues to be Addressed

In respect of every treasury management decision made the Authority will;

- Above all be clear about the nature and extent of the risks to which the Authority may become exposed
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good practice
- Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

In respect of borrowing and other funding decisions, the Authority will;

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- Consider the alternative form of funding, interest rate bases available and the most appropriate periods to fund and repayment profiles to use;
- Consider the ongoing revenue liabilities created and the implications for the Authority's future plans and budgets.

In respect of investment decisions, the Authority will:-

- Consider the optimum period considering cash flow availability and prevailing market conditions;
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital;

TMP 4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- Borrowing
- Lending
- Debt repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities
- Managing cash flow
- Banking activities
- Leasing

4.2 Approved Instruments for Investments

Please seed the current Annual Investment Strategy. The latest version is available from the Treasury Management Officer.

4.2.1 Implementation of MIFID II Requirements

Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MIFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banksdo not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status.

A file is maintained for all permissions applied for the received for opt ups to professional status specifying name of the institution, instrument, date applied for the and date received.

A separate file is maintained for confirmations that there is an exemption from having to opt up to professional status for the regulated investment.

4.3 Approved Techniques

- The use of structured products such as callable deposits
- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument

4.4 Approved Methods and Sources of Raising Capital Finance

Capital finance will only be raised in accordance with the Local Government and Housing Act, 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local Authorities	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing	●	●
Municipal bond agency	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
PFI/PPP
Operating Leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Head of Finance has delegated powers in accordance with Financial Regulations, Standing Orders, and the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

Please see the current Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Treasury Management activities will be properly structured in a clear and open method and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.

5.2 The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

5.3 a) The Council will receive and review reports on treasury management activities, the annual treasury management strategy and the annual treasury management report.

b) The Head of Finance will be responsible for amendments to the organisations adopted clauses, treasury management policy statement and treasury management practices.

c) The Head of Finance will consider and approve the Treasury Management Budget.

d) The Head of Finance will approve the segregation of responsibilities.

e) The Head of Finance will receive and review external audit reports and put recommendations to the Audit Committee.

f) The Head of Finance in accordance with Financial Regulations will decide approving the selection of external service providers and agreeing terms of appointment.

5.4 The Head of Finance has delegated powers to take all decisions on borrowing, investment, financing and banking and all activities in this respect will be carried out by suitably trained staff.

5.5 TREASURY MANAGEMENT ORGANISATION CHART

	Head of Finance (Section 151)	
	Senior Finance Manager	
	Principal Accountant	
	Treasury Management	

	Officer	
	Finance Officer	

5.6 The Head of Finance may delegate her power to borrow and invest to members of staff. The Treasury Management Officer will conduct all dealing transactions, the Principal Accountant and Finance Officer will act as temporary cover for leave/sickness.

5.7 Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Head of Finance to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

5.8 A list of brokers is maintained within the Treasury Team and a record of all transactions recorded against them.

5.9 The Council rotates business between brokers.

5.10 It is not Council Policy to record brokers conversations

5.11 Preliminary instructions are given by telephone followed by email confirmation, a payment transfer will be made online in Barclays.net to be completed by 1700 on the same day.

5.12 For each deal undertaken with brokers, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual programme of reporting

- Annual reporting requirements before the start of the year: -
  - Review of the organisation's approved clauses, treasury management policy statement
  - Treasury Management Strategy report on proposed treasury management statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
  - Capital/Treasury Strategy to cover the following:-
    - Give a longer-term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning;
    - An overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance between both types of investments;
    - The Authorities risk appetite and specific policies and arrangements for non-treasury investments
    - Schedule of non – treasury investments.
- Mid-year review
- Annual review report after the end of the year

6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to Cabinet for approval before the commencement of each financial year.
2. The formulation of the Annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

3 The Treasury Management Strategy Statement is concerned with the following elements:

- Prudential and Treasury Indicators
- Current Treasury portfolio position
- Prospects for interest rates
- Borrowing requirement
- Borrowing strategy
- Policy in borrowing in advance of need
- Debt rescheduling
- Investment strategy
- Creditworthiness policy
- MRP policy
- Policy on use of external providers

- Extraordinary treasury issue

4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

5. The outcome of debt rescheduling undertaken and reported to Cabinet as soon as possible after completion of the exercise.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following;

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are the specified investments as distinct from non-specified investments
- What specified and non-specified instruments the Council will use
- The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthiness counterparties for its approved lending list
- Which credit rating agencies the Authority will use
- How the Authority will deal with the changes in ratings, rating watches and rating outlooks
- Limits of individual counterparties and group limits
- Interest rate outlook

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

The responsible Officer is responsible for incorporating these limits into the Annual Treasury management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to full Council.

6.6 Mid-year Review

Treasury management activities will be reviewed on a six-monthly basis. This review considers the following;

- Activities undertaken
- Variations from agreed policies
- Interim performance report
- Regular monitoring
- Monitoring of treasury management indicators for local authorities

6.7 Annual Review Report on Treasury Management Activities

An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year, by the end of September. This report will include the following;

- Transactions executed and their revenue effects
- Report on risk implications of decisions taken and transactions executed
- Compliance on agreed policies and practices, and on statutory/regulatory requirements
- Performance report
- Compliance with CIPFA Code recommendations
- Monitoring of treasury management indicators

6.8 Publication of Reports

Reports will be published online on the Authority’s website in accordance with each meeting agenda.

TMP 7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted the principles set out in CIPFA's 'Treasury Management in the Public Services – Code of Practice', together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 BUDGETS / ACCOUNTS/PRUDENTIAL AND TREASURY INDICATORS

The Principal Accountant will prepare an annual budget for treasury management, which will bring together all the costs involved in running the function, together with associated income.

7.4 AUDIT ARRANGEMENTS

The Council will ensure that its auditors, and those charged will regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

List of information requirements of External Auditors

- Reconciliation of loans in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Interest accrual calculation
- Principal and interest charges report from the treasury management workbooks
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Calculation of Minimum Revenue Provision

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

8.1.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer and will be aggregated for the cash flow and investment management purposes.

8.1.2 Cash flow projections will be prepared on a regular and timely basis. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.1.3 The Authority has access to all its daily banking transactions via the online Banking System. All transactions are checked to source data. A formal bank reconciliation is undertaken daily by Income Management colleagues.

TMP 9 - MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002

Money Laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are;

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- Acquiring, using or possessing criminal property

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include;

- Failure to disclose money-laundering offences
- Tipping ff a suspect, either directly or indirectly
- Doing something that might prejudice an investigation – for example, falsifying a document

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business are required to do the following;

- Identify and assess the risks of money laundering and terrorist financing
- Have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures;
- train relevant staff in the subject;
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken;

- report their suspicions.

9.4 Local Authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under to POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, the Authority will do the following;

i. evaluate the prospects of laundered monies being handled by them;
ii. determine the appropriate safeguards to be put in place;
iii. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
iv. make all its staff aware of their responsibilities under POCA
v. appoint a member of staff to whom they can report any suspicions
vi. in order to ensure compliance is appropriately managed, this Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and method of communicating procedures and other information to personnel
vii. the officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council is alert to the possibility that it may become the subject of an attempt to involve it in transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. A copy of the Council's anti money laundering policy is available on the Council's intranet site and from Legal Services.

The Authority does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on the approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans. Counterparty repayment details will be checked on kept on file.

TMP 10 - STAFF TRAINING AND QUALIFICATIONS

10.1 The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Authority

b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Training may also be provided on the job and it will be the responsibility of the Treasury Management Officer to ensure that all staff receive the level of training appropriate to their duties. This will also apply to staff who from time to time cover for absences from the treasury management team.

Details of staff training needs will be identified, as part of the training needs analysis undertaken during staff Individual Performance Review.

Treasury Management seminars will be attended as appropriate.

10.2 Statement of Professional Practices

Where the Chief Finance Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.3 Members charged with Governance

Members charged with governance also have a responsibility to ensure that they have the appropriate skills and training for their role. Treasury Management will ensure relevant members have training available regularly.

TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

The Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks, and
- The credit rating of that government support

11.1.1 BANKING SERVICES

a) Name of supplier of service is Barclays Bank PLC.
The branch address is:

Newcastle City
Newcastle upon Tyne
NE1 7AF

Tel: 0345 734 5345

b) Contract commenced November 2016 and runs for 5 years full and extension until November 2021. Due to COVID-19 the Authority has exercised an option to extend for up to 24 months from November 2021.

c) Cost of service is variable depending on schedule of tariffs and volumes

d) Payments due quarterly/Monthly.

11.1.2 MONEY- BROKING SERVICES

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

Name of supplier of service:

Martin Brokers (UK) plc
Tradition UK Limited
Icap Tullett Probon
BCG/Sterling
King & Shaxton
Imperial Treasury Services

11.1.3 CONSULTANTS'/ADVISERS' SERVICES

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on the approved lending list etc.

Treasury Consultancy Services

a) Name of supplier of service is Link Treasury Solutions. Their address is:

65 Gresham Street
London
EC2V 7NQ

b) Contract commenced January 2018 for 3 years until December 2021 with an option to extend the contract for a further year.

c) Cost of the current service is maintained within the Treasury Team.

Credit Rating Agency

The Authority receives a credit rating service through the treasury management consultants, the cost of which is included in the consultant's annual fee.

TMP 12 - CORPORATE GOVERNANCE

12.1 The Authority is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

12.2 The Council has adopted and implemented the key recommendations of the CIPFA Code of Practice on Treasury Management This is considered vital to the achievement of proper corporate governance in treasury management.

12.3 The following documents are available for public inspection;

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Review Report
- Annual accounts and financial instruments disclosure notes
- Annual budget
- Capital Plan
- Minutes of Council/Cabinet/Committee meetings
- Capital Strategy

APPENDIX 1

References to Relevant Statutes and Regulations

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017

- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2018

- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

- PWLB circulars on Lending Policy
- The UK Money Markets Guide. (was formerly known as the Financial Conduct Authority's Code of Market Conduct

- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: Authorisation to Enter Section 75 Partnership Agreement – Better Care Fund

Portfolio(s):	**Adult Social Care** **Public Health and Wellbeing**	**Cabinet Member(s):**	**Cllr A McMullen** **Cllr K Clark**

Report from Service Area:	**Health, Education, Care and Safeguarding**	
Responsible Officer:	**Jacqui Old, Director of Children and Adults Services**	**Tel: (0191) 6437317**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

This report seeks authorisation for the Director of Children and Adults Services to enter into a partnership agreement under section 75 of the National Health Service Act 2006 ("a section 75 Agreement") following appropriate consultation.

The Authority is obliged by the "Better Care Fund planning requirements 2021-22" published by NHS England as part of the Better Care Fund planning process to enter into a section 75 Agreement. All such Agreements nationally must be signed and in place by 31 January 2022.

The Authority submitted its Better Care Fund Plan (BCF Plan) to NHS England on 16 November 2021 which was the national submission deadline date for such a submission. The BCF Plan requires spending on all funding elements of the Plan to be jointly agreed by the Authority and the Clinical Commissioning Group (CCG) and for such funding to be a "pooled fund" and for the fund to be governed by a section 75 Agreement.

The BCF funding that the Authority will receive is dependent on the Authority having entered into a Section 75 Agreement.

1.2 Recommendation(s):

It is recommended that Cabinet:

a) Authorise the Director of Children and Adults Services, in consultation with the Director of Resources, the Director of Commissioning and Asset Management, and the Director of Law and Governance, to enter into an Agreement under section 75 of the National Health Service Act 2006 and to implement the financial and administrative arrangements for the Better Care Fund.

1.3 Forward Plan:

Twenty-eight day's notice of this report have been given and this item first appeared in the Forward Plan that was published on 28th October 2021.

1.4 Council Plan and Policy Framework

This item relates specifically to the following theme and priorities of the Our North Tyneside Plan 2021-2024:

A caring North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic.
- We will work with the care provision sector to improve the working conditions of care workers.
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless

1.5 Information:

1.5.1 Background

The Better Care Fund (BCF), has been in operation since 2015/16, and is a government initiative to improve the integration of health and care services, with an emphasis on keeping people well outside of hospital and facilitating discharge from hospital.

The BCF creates a pooled fund, managed jointly by the Authority and NHS North Tyneside Clinical Commissioning Group (the CCG). The total value of the fund is £29,457,097, which is an increase of 3.8% over 2020/21 BCF pooled fund.

CCGs are required to contribute a defined amount to the fund to support adult social care. The resulting income from the NHS is £11,651,150. Together with the "Improved Better Care Fund", which is paid direct by Government to the Authority, the BCF supports 21% of adult social care revenue expenditure within the Borough.

BCF income helps to fund community based social care services, such as reablement, immediate response home care, CareCall, and loan equipment/adaptations. It also contributes towards the Authority's services offered to support carers, the Community Falls First Responder Service, and to independent living support for people with learning disabilities.

1.5.2 Governance arrangements

The detailed operations of the BCF in North Tyneside are set out in a Section 75 Agreement, which is renewed each year, between North Tyneside Council and NHS North Tyneside Clinical Commissioning Group (CCG) following submission of the BCF Plan. That Agreement establishes a BCF Partnership Board with representatives from the Authority and NHS North Tyneside CCG.

As requested by the Health and Wellbeing Board who approved the BCF Plan on 11 November 2021 prior to its submission to NHS England, regular reports on the operation and performance of the BCF are provided to the Adult Social Care, Health and Wellbeing Sub-Committee of the Overview and Scrutiny Committee and this will continue to be the case.

The BCF Policy Framework requires that BCF Plan be agreed by the Governing Body of the CCG as well as the Health and Wellbeing Board. Such approval was given by the CCG on 23rd November.

The Elected Mayor approved the BCF Plan, prior to its submission to NHS England on 16th November 2021.

1.5.3 The value of the Better Care Fund

The minimum value of the North Tyneside BCF is set nationally. Table 1 below shows the value in the current year, and changes from previous years.

Table 1

Income Component	2018/19	2019/20	2020/21	2021/22	% change this year
Disabled Facilities Grant	1,526,533	1,647,220	1,647,220	1,869,024	13.5%
Minimum CCG Contribution	15,833,838	16,603,777	17,420,966	18,291,187	5.0%
Improved Better Care Fund	6,772,688	8,265,809	9,296,886	9,296,886	0.0%
Winter Pressures Grant	0	1,031,077	0	0	
TOTAL	24,133,059	27,547,883	28,365,072	29,457,097	3.8%

The national framework also stipulates minimum contributions to be paid by the CCG to adult social care, and on NHS-commissioned out of hospital services

Table 2

	2018/19	2019/20	2020/21	2021/22	% change this year
CCG minimum contribution to adult social care	10,085,863	10,576,301	11,096,836	11,651,150	5.0%
NHS commissioned out-of-hospital spend	4,449,528	4,718,332	4,950,544	5,197,836	5.0%

1.5.4 The impact of the Better Care Fund

The Better Care Fund continues to play a key role in integrating health, social care and housing. The fund provides the governance and a context in which the NHS and local authorities work together, as equal partners, with shared objectives.

The BCF plan has enabled us to have a single, local plan for the integration of health and social care which has improved joint working and had a positive impact on integration. This has helped to relieve pressure on the health care system, with system performance in the North East remaining relatively strong against a difficult picture nationally.

The BCF accounts for 21% of adult social care revenue expenditure. Hence, we would be unable to maintain the current level of services without the benefit of the Better Care Fund income.

1.6 Decision options:

The following decision options are available for consideration by Cabinet

Option 1

Authorise the Director of Children and Adults Services, in consultation with the Director of Resources, the Director of Commissioning and Asset Management, and the Director of Law and Governance, to enter into an Agreement under section 75 of the National Health Service Act 2006 and to implement the financial and administrative arrangements for the Better Care Fund.

Option 2

Not agree to Option 1 and to suggest an alternative approval mechanism to ensure that an Agreement under section 75 of the National Health Service Act 2006 is entered into before 22 January 2022.

Cabinet is recommended to agree Option 1.

1.7 Reasons for recommended option:

The continuation of the Better Care Fund presents an opportunity to take forward the principles of the Health and Wellbeing Strategy. If the requirement to enter into a Section 75 Agreement is not met by 22 January 2022 the release of funds by NHS England will be delayed.

1.8 Appendices:

None.

1.9 Contact officers:

Scott Woodhouse, Strategic Commissioning Manager, Adults. Tel (0191 643 7082).

Kevin Allan, Programme Manager, Integrated Care for Older People. Tel (0191) 643 6078

1.10 Background information:

The following background papers have been used in the compilation of this report:

1. 2021-22 Better Care Fund Policy Framework. Department of Health and Social Care and the Department for Levelling Up, Housing & Communities. 2021 to 2022 Better Care Fund policy framework - GOV.UK (www.gov.uk)

2. Better Care Fund Planning Requirements for 2021 to 2022. Department of Health and Social Care and the Department for Levelling Up, Housing & Communities. B0898-300921-Better-Care-Fund-Planning-Requirements.pdf (england.nhs.uk)

3. The Report to the Elected Mayor seeking approval to the Better Care Fund Plan being submitted to NHS England. Delegated decisions 2021-22 | North Tyneside Council

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The plan does not of itself create additional demands for the Authority's services above those which are created by the growth of our population and in particular the number of elderly and vulnerable people we serve.

As in previous years, the Authority is in discussion with the CCG to create a section 75 pooled budget to operationalise the BCF.

2.2 Legal

The National Health Service Act 2006, gives NHS England the powers to attach conditions to the payment of the Better Care Fund Plan. Amongst other things, the Better Care Fund planning requirements for 2021-22 published by NHS England have set a requirement that Health and Wellbeing Board agrees the BCF plan as well as the Clinical Commissioning Group which has happened. The 2021-22 Requirements also require the Authority and the Clinical Commissioning Group to enter into an Agreement under section 75 of the National Health Service Act 2006 to obtain funding through BCF. This report seeks authority for the Director of Services for Children and Adults to enter into such an Agreement on behalf of the Authority.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

2.3.2 External Consultation/Engagement

The Health and Wellbeing Board considered and approved the BCF Plan on 11th November 2021.

The service developments referred to in section 1.5.4 above have been considered by the Future Care Programme Board, which includes representation from the CCG, the Authority, NHS providers, the GP federation, Healthwatch, the Patient Reference Group, and the community and voluntary sector. The CCG approved the BCF Plan on 23rd November 2021

2.4 Human rights

There are no human rights implications arising directly from this report.

2.5 Equalities and diversity

There are no new equality and diversity implications arising directly from this report. BCF services are particularly used by older and disabled persons, in accordance with their needs.

2.6 Risk management

The Better Care Fund Partnership Board maintains a risk assessment for the BCF.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications arising from this report.

PART 3 - SIGN OFF

• Chief Executive	X
• Director(s) of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: Highway Asset Management Plan Annual Information Report 2021

Portfolios:	**Environment**	**Cabinet Member:**	**Councillor Sandra Graham**

Report from Service Areas:	**Environment, Housing & Leisure**	
Responsible Officer:	**Phil Scott, Director of Environment, Housing and Leisure**	**Tel: (0191) 643 7295**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

North Tyneside Council is responsible for an extensive highway network and feedback from residents has consistently informed the Authority that the maintenance of roads and footpaths is a top priority. This is reflected in the Council Plan including a commitment to continue to invest additional capital funding in repairing roads and pavements.

In September 2017, Cabinet adopted an updated Highway Asset Management Plan 2017 - 2032 (HAMP) setting out the Authority's approach to maintaining North Tyneside's highways and responding to the Elected Mayor and Cabinet's policy direction which included providing a greater emphasis on footways.

The purpose of this report is to fulfil the commitment within the HAMP to provide Cabinet with an annual information report outlining the highway and infrastructure work undertaken over the last 12 months, future planned work activities, and other items of relevant interest. This is the fifth annual report presented since adoption of the HAMP.

Over the last 12 months the highway network has remained in a steady state of good condition. Maintaining that position continues to be challenging. A number of positive changes to the highway maintenance service have been made such as improvements to our road condition survey methodology.

The effects of the Covid-19 pandemic initially presented a major challenge. However, following the introduction of safe working measures (as reported last year), the Highways Service has been able to continue operating normally over the last 12 months.

1.2 Recommendation:

It is recommended that Cabinet note the content of the HAMP Annual Information Report 2021, attached as Appendix 1.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 3 September 2021.

1.4 Council Plan and Policy Framework

The proposals in this report relate to a number of themes in Our North Tyneside, the Council Plan 2021 to 2025, in particular:

- A secure North Tyneside
  - We will continue to invest £2m per year on fixing our roads and pavements

- A green North Tyneside
  - We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast

- A thriving North Tyneside

  - We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

1.5 Information:

<u>Background</u>

1.5.1 The Authority's Highway Asset Management Plan 2017 to 2032 (HAMP) includes a commitment to provide Cabinet with an annual information report outlining progress and key issues associated with the maintenance of the Authority's public highway network. The report has a particular emphasis around the condition of the network and the resources required to maintain it effectively.

1.5.2 The Authority is responsible for an extensive highway network and feedback from residents has consistently told the Authority that the maintenance of roads and footpaths is a top priority.

1.5.3 In September 2017, Cabinet adopted an updated Highway Asset Management Plan 2017 - 2032 (HAMP), setting out the Authority's approach to maintaining North Tyneside's highways and responding to the Elected Mayor and Cabinet's policy direction which included providing a greater emphasis on footways.

1.5.4 Currently the highway maintenance activities delivered through the HAMP are funded through a range of funding streams. Capital work is funded by the annual Local Transport Plan Maintenance Block. For a number years additional funding has been invested directly by the Authority and a commitment has been made within the Our North Tyneside Plan to continue to do so.

1.5.5 Cabinet is invited to consider and note the contents of the HAMP Annual Information Report 2021, attached as Appendix 1. The report will be used as the basis for ongoing consideration around the challenges of maintaining the highway network. The report is aimed at supporting those considerations so that any decisions about potential changes in highway maintenance priorities and resources can be made in an informed manner.

1.5.6 Following the Cabinet meeting, all ward councillors will be invited to view the HAMP Annual Information Report via the members intranet. The report will also be published on the Authority's website so it can be viewed by the public.

Key Highlights of the HAMP Annual Information Report 2021

1.5.7 The following key highlights can be drawn from the annual report:

- The highway network is the most valuable asset in the Authority's ownership

- The current total value of highway assets is **£1,840,000,000 (£1.84 billion)**

- The successful implementation of the HAMP policy and investment strategy is demonstrating that the ongoing application of highway asset management principles by the Authority has so far achieved a generally steady state in the condition of the road network but maintaining that position continues to be challenging

- The continued additional capital investment in highway maintenance is keeping the overall condition of the network in a relatively steady state of good condition in line with HAMP principles. This fact is illustrated by the positive "Road Condition Indicator" calculation results recorded in Section 6 of the Information Report. However, latest condition modelling would indicate that it may be a challenge to sustain this in the future

- The new risk-based gully cleansing regime, supported by specialist information technology introduced last year, is now fully embedded and has improved the Authority's gully cleansing service over the last 12 months

- The Technical Services Partnership continues to achieve its Key Performance Indicator targets and through its Annual Service Plan is identifying innovative ways of working and service improvements which is evident in the report

- How the Authority spends its allocated funding needs to be carefully balanced across the highway network

- Continued customer engagement is providing better intelligence concerning resident satisfaction and new initiatives are being developed to improve the customer experience

- The Authority has delivered all programmed highway asset improvement schemes to date.

Covid-19 Pandemic

1.5.8 During the last 18 months the Highways Service has had to operate within the context of the Covid-19 pandemic. Last year it was reported that following a series of risk assessments and the introduction of new safe working procedures, the Highways Service was able to resume full operations in June 2020. Since then, the Service has continued to function normally and is providing the same level of service as it did pre-pandemic.

1.6 Decision options:

As this report is for Cabinet's information there are no decisions options.

1.7 Reasons for recommended option:

No alternative options have been outlined as no further direct decisions by Cabinet are sought in relation to the HAMP Annual Information Report 2021.

1.8 Appendices:

Appendix 1: Highway Asset Management Plan 2017 to 2032 Annual Information Report, November 2021

1.9 Contact officers:

Mark Newlands, Highways & Infrastructure Manager, 0191 643 6129
Nick Preston, Capita Operations Manager, 07594 522116
Colin MacDonald, Senior Manager, Technical & Regulatory Services, 0191 643 6416
Cathy Davison, Principal Accountant Investment (Capital) and Revenue, 0191 643 5727

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

North Tyneside Highway Asset Management Plan 2017 - 2032

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no immediate financial and resource implications directly arising from this report. However, there are a number of issues contained in the HAMP Annual Information Report which do themselves have long term financial implications for the Authority if they are to be addressed. Maintaining the highway in a good condition continues to be challenging. The position is being monitored and will be considered further as part of the medium term financial planning process.

2.2 Legal

Under the Highways Act 1980 the Authority has a statutory duty to maintain the adopted highway network. There are no legal implications directly arising from this report.

2.3 Consultation/community engagement

The Annual Information Report (at Section 10) describes the approach to customer engagement. Public engagement activity is conducted in line with Authority's Engagement Strategy and is planned through the Engagement Team.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues directly arising from this report.

2.6 Risk management

The risks associated with matters in this report are managed in accordance with the risk register set out in the Highway Asset Management Plan 2017 to 2032.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report. However, the information report informs Cabinet of the condition of the built environment with regard to highway infrastructure. Wherever possible, the Highways Service seeks to utilise sustainable methods in order to support the Authority's work around tackling climate change and declaration by the Council of a climate emergency. This includes the use of recycled materials, low temperature asphalt products and so on.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	X
• Mayor/Cabinet Member	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

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Working in partnership with Capita

APPENDIX 1

Highway Asset Management Plan (HAMP) 2017 to 2032 Annual Information Report

November 2021

CONTENTS

1. EXECUTIVE SUMMARY

The Highway Asset Management Plan (HAMP) sets out the Council's strategic approach to highway and infrastructure maintenance. In order to provide regular information about the highway and infrastructure, the HAMP contains a commitment to provide an annual information report to Cabinet. The report provides information on work undertaken within the last 12 months, future planned activities and other items of general interest. Our residents have consistently told us that a well maintained highway network is a top priority. Highway maintenance therefore features prominently in the latest Council Plan including a commitment to invest additional capital funding in roads and pavements.

The report shows that within the last 12 months:

- The highway network is generally in a good state of repair, but recent condition modelling indicates this will be challenging to sustain in the future
- Performance is good with regard KPIs being met
- Highway asset work programmes have been completed successfully
- The Council again achieved Band 3 in the DfT Self-Assessment to ensure that it received its full budget allocation under the Incentive Fund
- Over the last 12 months we have completed extensive footway improvements in line with the Mayor's priorities. In addition, £250K of housing footway improvements were undertaken and a further £150k will be delivered by the end of this financial year
- The North Tyneside Council/Capita partnership successfully continued to adhere to its statutory duties for highways during the Covid – 19 lockdown periods and services have being delivered on a business-as-usual basis.

We are currently operating within a challenging national financial climate and in recent years the investment in highway infrastructure and its performance is continually under the spotlight. Asset management has been widely accepted by central and local government as a means to deliver a more efficient and effective approach to management of the highway infrastructure assets through long term planning. Although we have been able to maintain a steady-state condition of the highway network over recent years, latest condition modelling has indicated that this will become more challenging to sustain in the future.

All highway and infrastructure services are delivered by Capita Property and Infrastructure under the North Tyneside Technical Services Partnership arrangements.

The COVID-19 pandemic has had a terrible impact on the lives and health of many UK citizens. However, as reported last year, the Highways Service was able to adapt quickly to the crisis and has been able to continue with a normal level of service over the last 12 months.

2. THE IMPORTANCE OF HIGHWAY INFRASTRUCTURE

The national highway network comprises the strategic network of motorways and trunk roads and both major and minor local roads. It totals some 235,000 miles and includes assets such as carriageways, footways, cycle-tracks, structures, highway lighting, street furniture, traffic management systems and similar highway infrastructure.

Almost every resident, worker and visitor within North Tyneside uses the highway network in some way on a daily basis, whether as a pedestrian; as a cyclist or motorcyclist, as a car, bus or commercial vehicle driver or passenger, or in other diverse ways such as a mobility scooter user, etc. The network is used by a diverse range of society, young and old, able-bodied, disabled persons, e.g., partially sighted/blind, etc, and by other specialist groups such as equestrian users. The highway network therefore needs to perform in different ways for different user and social groups each with their own needs and priorities.

A particular driver for the development of the HAMP is the infrastructure code of practice and the Department of Transport (DfT) Incentive Fund which promotes the use of best asset management practices and the effective management of risk.

The local highway network is the responsibility of North Tyneside, which acts as the Highway Authority. It is the largest, most valuable and most visible infrastructure asset for which the Council is responsible. Well maintained and accessible highway infrastructure is vital and fundamental to the economic, social and environmental wellbeing of the communities of North Tyneside. The aim to maintain a good highway network is important to delivering the Our North Tyneside Council Plan and the Mayor and Cabinet's commitment to building a better North Tyneside.

North Tyneside Council's highway network is 899.15km and comprises of:

- Principal Roads – 105.18km
- Classified B Roads – 37.75km
- Classified C Roads – 34.29km
- Unclassified Roads – 684.73km
- Back Lanes – 37.2km

Within the highway network North Tyneside is also responsible for the following major asset groups:

Drainage – 32,678 gullies

Bridges and Structures

Bridges and other Structures	Number
Road Bridges	46
Retaining Walls	73
Footbridges (inc PROW)	46
Bridleway Underbridge	1
Bridleway Overbridge	1
Culvert	41
Subway	25
Tunnel	1
Underpass	1
Total	**235**

Within the highway network there is also street lighting. However North Tyneside do not manage this as part of the HAMP and the lighting assets are managed separately through a Private Finance Initiative (PFI) contract. As such, street lighting information is not included in this report.

3. CURRENT MAINTENANCE PRIORITIES

3.1. HIGHWAY MAINTENANCE

As in previous years, in the last 12 months the priority has been to protect and improve, where possible, the strategic road network (main classified roads). These are the roads which carry the vast majority of local and through traffic. Whilst the strategic highway network remains a high priority, ongoing additional Council funding has gradually allowed more resources to be allocated to dealing with the condition of residential roads. The extensive improvements made to the classified network in recent years is now allowing more funding to be directed at estate roads. This year, investment in the classified road network has reduced as a proportion of the total resurfacing budget with £753,000 being spent compared to £1.1million on estate roads, a considerable increase. The maintenance of residential roads will however become more challenging if current funding conditions are maintained.

We have also continued to focus on improving the condition of our footways. In accordance with meeting the priority of the Elected Mayor, following feedback from North Tyneside residents, additional monies have continued to be been invested by the Authority in footways. A programme of improvement works has been implemented focusing on, key urban routes and residential areas where older flagged constructed footways, which are susceptible to damage, are replaced with lower maintenance bituminous construction.

3.2. BRIDGES AND INFRASTRUCTURE

This area of work is undertaken mainly using LTP funding. Maintenance priorities for major work for the next 6 years are set out in a forward plan which is supported by a range of framework documents including Highway Structures – Risk-based Principal Inspections. At present the work can be accommodated provided future LTP allocations remain relatively constant. However, a number of structures have been identified which will require attention within the next 6 years. This may begin to put additional pressure on budgets.

Day to day reactive repairs are undertaken using a revenue budget which is managed by Capita. The current programme is focussed and prioritised on locations and schemes which have been identified as requiring maintenance work or have been identified as requiring work in the next 12 – 18 months following statutory general and principal condition inspections of the Authority's bridges and other infrastructure assets. These inspections are critical in ensuring that the Council's bridge stock remains in a safe and usable condition.

4. SUMMARY OF WORK UNDERTAKEN DURING THE LAST 12 MONTHS

During the last quarter of the previous 2020/21 financial year, the highway maintenance schemes for the current 2021/22 financial year were finalised in accordance with our works prioritisation procedures and in consultation with the lead Cabinet Member. The following is a summary of the work that has been done to date and what will be achieved by the end of the current financial year.

4.1. CARRIAGEWAY IMPROVEMENT WORKS

In order to achieve better value for money we have continued to use alternative maintenance products. These treatments are in the following treatment groups:

Structural Maintenance – where renewal of the road is required because the underlying layers have failed and require replacement.

Preventative Maintenance – where the surface of the road has started to show signs of age and requires this maintenance technique to prolong its life, return a safe running surface and prevent water ingress which is a major cause of deterioration.

By the end of this financial year we will have completed the following works:

Road and Footpath Work Undertaken in North Tyneside in 2020/21 (and comparison with previous years)

Treatment Group	*Area Covered in 18/19*	*Area Covered in 19/20*	*Area Covered in 20/21*	*Area Covered in 21/22*
Preventative Maintenance	19,813m² (1.65 miles)	46,425m² (4.39 miles)	41,831m² (3.96 miles)	42,665m2 (3.91 miles)
Structural Maintenance	84,690m² (6.51 miles)	94,320m² (7.94 miles)	62,154m² (5.25 miles)	68,141m2 6.24 miles
Patching Sites	46 no.	52 no.	47 no.	72 no.
Footway Improvement Schemes	47 No.	38 No.	50 No.	11 No.

By the end of the financial year all structural, preventative and footway maintenance schemes will have been completed in accordance with the approved programme. The list of road resurfacing schemes for the 2021/22 year can be viewed at the following link:

Road resurfacing | North Tyneside Council

4.2. DRAINAGE WORKS

We have two gully wagons, one 18 tonne and the other 26 tonnes, which operate across the borough carrying out gully maintenance and dealing with reported flooding problems on the highway. We operate our gully services with the support of an ICT system from KaarbonTech called Gully Smart. Gully Smart provides us with a sophisticated recording system for collecting information on site to inform future programmes of work.

Gully Smart can record the type of asset i.e. gully, linear kerb drainage or manhole, whether it is blocked or broken and most importantly the silt level. The silt level is the key element required to generate an intelligence-led work programme and last year we introduced a risk-based gully cleansing regime which is now fully embedded. Gully wagons are now deployed to attend to gullies in locations where the silt data shows that cleaning is required. This ensures the best use of resources which can be targeted where most needed.

All gullies on our high-speed roads such as the A1058 Coast Road are routinely cleaned twice per year.

Each year a boroughwide programme of capital drainage improvements is developed based on information gathered during cleansing operations. This work typically involves CCTV surveys, localised drainage pipe repairs, jetting of drainage runs, replacing defective gully pots etc. By the end of the current 2021/22 year, around £150k of this type of work will have been completed.

4.3. BRIDGES AND INFRASTRUCTURE

Below is a summary of the bridge/highway structures maintenance inspections for the 2020/21 year:

Total of 21 Principal Inspections

Footbridges	**1**
Underbridges	**2**
Culverts	**3**
Subways	**8**
Retaining Walls	**7**
Total	**21**

Total of 44 General Inspections

Footbridges	**2**
Underbridges	**10**
Overbridge	**1**
Culverts	**9**
Subways	**6**
Tunnels	**1**
Retaining Walls	**15**
Total	**44**

Larger scale planned bridge maintenance work is summarised below:

- Pier Road structural strengthening scheme – completed in October 2021
- Borough Road Bridge demolition scheme – objections to demolition received. Decision required by Planning Inspectorate. Demolition planned to take place early 2022 subject to favourable decision from Planning Inspectorate.
- Weetslade Bridge Repair Scheme – Options study and design work being progressed. Construction work planned for 2022/23
- Harrow Street pedestrian bridge – special inspection undertaken in September 2021, strengthening work planned for 2022/23

5. INVESTMENT IN THE HIGHWAY ASSET

The following table provides a summary of the budgets that have been allocated to highway and bridges in 21/22 and a comparison with the previous financial year:

Budget	Budget Type	Type of Work	2020/21	2021/22
Service Budgets	Revenue	Day to day reactive minor repairs (e.g. potholes), gully cleansing, traffic management, sign repairs and road marking renewal	£1,114,000	£1,114,000
Housing Revenue Account	Revenue	Housing footway improvement schemes	£250,000	£150,000
Local Transport Plan Maintenance Block (including DfT Incentive Funding)	Capital Grant	Road resurfacing, planned footway schemes, drainage repairs, dropped kerb programme, bridges schemes, bridge design work	£2,195,000	£1,566,000
Additional Highway Maintenance	Council Capital	Additional road resurfacing and footway schemes	£2,000,000	£149,000
DfT Pothole Fund 20/21	Capital Grant	Additional road resurfacing and work to prevent potholes forming in the future	Reprofiled to 2021/22	£1,851,000
DfT Pothole Fund 21/22	Capital Grant	Additional road resurfacing and work to prevent potholes forming in the future		£1,000,000
		Total Investment	**£5,559,000**	**£5,830,000**

6. PERFORMANCE

As part of the Technical Services Partnership between North Tyneside Council and Capita, a suite of performance indicators is used, monitoring aspects of the Partner's performance in relation to the management and condition of the network. These indicators have been in place since November 2012 and are reviewed on an annual basis. The tables below outline recent data in accordance with the performance indicator methodology.

With reference to the condition of the main classified roads, independent condition surveys are undertaken, and the data is used to calculate a performance indicator figure (Road Condition Indicator (RCI)). The results for recent years are shown in the table below (note: a lower figure is better).

KPI/PI Reference	Performance Indicator	Target	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
ENG 1.4 (RCI)	Percentage of A class roads that should be considered for structural maintenance	**5%**	3%	2%	2%	2%	2%	2%
ENG 1.5 (RCI)	Percentage of B and C class roads that should be considered for structural maintenance	**5%**	3%	3%	2%	2%	2%	2%
Not an indicator	Percentage of unclassified (residential) roads that should be considered for structural maintenance	N/A	13%	14%	6%	4%	4%	5%

The above figures illustrate the percentage of structural maintenance required to improve the road network and it is evident the figures currently demonstrate a steady state of general good condition. This demonstrates that the implementation and adoption of asset management policies of North Tyneside Council has had a positive impact on the condition of the road network. However, it should be noted that our latest condition modelling is indicating that it will be a challenge to sustain this performance under current investment levels. Over the last 12 months there has been a slight increase in the percentage of estate roads requiring repair and this is forecasted to increase further.

The other performance indicators within the Highways Service relevant to this report are detailed in the following tables:

CATEGORY 2 KPI's			
KPI/PI Reference	**Performance Indicator**	**Target**	**Average performance over the last 12 months. From October 2020 to September 2021**
ENG 2.1	Roads and Pavements – Percentage of routine street care safety inspections carried out on time	95%	**98.28%**
ENG 2.2	Roads and pavements - Percentage of CAT 1 highway defects that were compliant within 24 hours	98%	**100%**
ENG 2.3	Roads and Pavements - Percentage of CAT 2 highway defects that were made compliant within 10 working days	98%	**98.47%**
ENG 2.5	Roads and pavements - Quality of maintenance repairs	93%	**97.15%**

CATEGORY 1 KPI's			
KPI/PI Reference	**Performance Indicator**	**Target**	**Average performance over the last 12 months. From October 2020 to September 2021**
ENG 1.2	Roads and Pavements – Permit scheme compliance of Capita workforce	90%	**93.1%**
ENG 1.4	Roads and Pavements – Percentage of pothole and footpath enquiries inspected within 3 working days	80%	**94.29%**

The above figures demonstrate that the Technical Services Partnership is achieving and exceeding, in many instances, its agreed prescribed performance targets with regard to undertaking the Authority's statutory maintenance duties and undertaking repairs in a safe and timely manner, reducing the risk of any harm occurring to users of the highway network.

7. VALUE OF THE HIGHWAY ASSET

Under the Whole of Government Accounting (WGA) procedure, all councils are required to submit an annual detailed valuation of their highways and infrastructure assets. Each year, independent condition surveys of roads, footways and structures are necessary to assess their condition. Depreciated Replacement Costs are used for measurement purposes and are disclosed as a separate class of asset on the Council's Balance Sheet. For asset management, Gross Replacement Cost (GRC) and the Annual Depreciation are the key drivers.

Gross Replacement Cost (GRC) is the estimated cost of replacing an asset or property with the same quality of construction and operational utility. For carriageways it is replacement of the top 100mm. The most recent GRC values for North Tyneside are shown in the table below:

Asset Type	2017/18 Valuation	2018/19 Valuation	2019/20 Valuation	2020/21 Valuation
Roads	£1,065 million	£1,165 million	£1,205 million	£1,165 million
Footways and Cycleways	£144 million	£206 million	£221 million	£206 million
Bridges	£195 million	£461 million	£469 million	£469 million

As of **September 2021**, the total value of highway assets equates to **£1,840,000,000**.

The GRC changes are due to changes in unit rates and inventory and does not reflect changes in condition, just the gross cost in replacing the asset.

8. CONDITION OF HIGHWAY NETWORK

The Council uses a specialist computer system, XA©, to model the condition of roads and footpaths under different funding scenarios.

The service standards developed for North Tyneside's infrastructure assets are 'good', 'early life', 'mid-life' and 'late life'.

- Good
  - These are roads and footpaths which are coloured green on our condition maps and reflects that the asset is in as new condition, no or very small amounts of minor defects have been identified in our annual condition surveys. These assets do not require any maintenance, but they are monitored through safety inspections to ensure the Authority maintains its duty of care under S41 of the Highways Act 1980.

- Early Life
  - These are roads and footpaths which are coloured yellow on our condition maps and reflects that the asset has minor defects in small quantities which have been identified in our annual condition surveys. These assets do not require any planned maintenance, but they are monitored through safety inspections to ensure the Authority maintains its duty of care under S41 of the Highways Act 1980.

- Mid Life
  - These are roads and footpaths which are coloured amber on our condition maps and reflects that the asset has large quantities of minor defects and small quantities of major defects which have been identified in our annual condition surveys. These assets require planned preventative maintenance techniques to prolong the life and deliver acceptable service levels. They are monitored through safety inspections to ensure the Authority maintains its duty of care under S41 of the Highways Act 1980.

- Late Life
  - These are roads and footpaths which are coloured red on our condition maps and reflects that the asset has large quantities of major defects which have been identified in our annual condition surveys. These assets require planned structural (major) maintenance. They are monitored through safety inspections to ensure the council maintains its duty of care under S41 of the Highways Act 1980.

Over the summer of 2021, North Tyneside commissioned our expert partner, XAIS Asset Management Ltd, to undertake a comprehensive review to:

- assess the current state of the infrastructure on the highway network
- assess the funding required to sustain good performance
- review highways documentation to check it meets the requirements of the DfT Incentive Fund
- understand the effect of changes in budgets

XAIS have been heavily involved in pavement management since the early 1990's, were directly involved in the creation of specialist asset management systems and helped design the national framework which most systems are based upon in the UK. XAIS have been a specialist technical advisor to all the highway maintenance PFI contracts in the UK and several DBFO companies, creating working models for the lenders and banks in litigation and bidding for major works throughout the UK and Europe. XAIS are therefore well placed to help North Tyneside evaluate the current state of the highway network.

A major improvement this year is the use of 360-degree video surveys and artificial intelligence to help better understand the condition of the highway asset. Further details are given in Section 12.2 of this report.

The following section of the report sets out the findings of the condition assessment element of the XAIS review.

8.1. CURRENT CONDITION OF THE ROAD NETWORK

The following plan illustrates the current condition of the whole of the road network. As a result of the continued investment and the application of asset management principles, the percentage of red routes has remained relatively steady since the £2m per year additional investment was introduced. Without this investment, our classified road network would have deteriorated at a considerably quicker pace resulting in many more red and amber roads.

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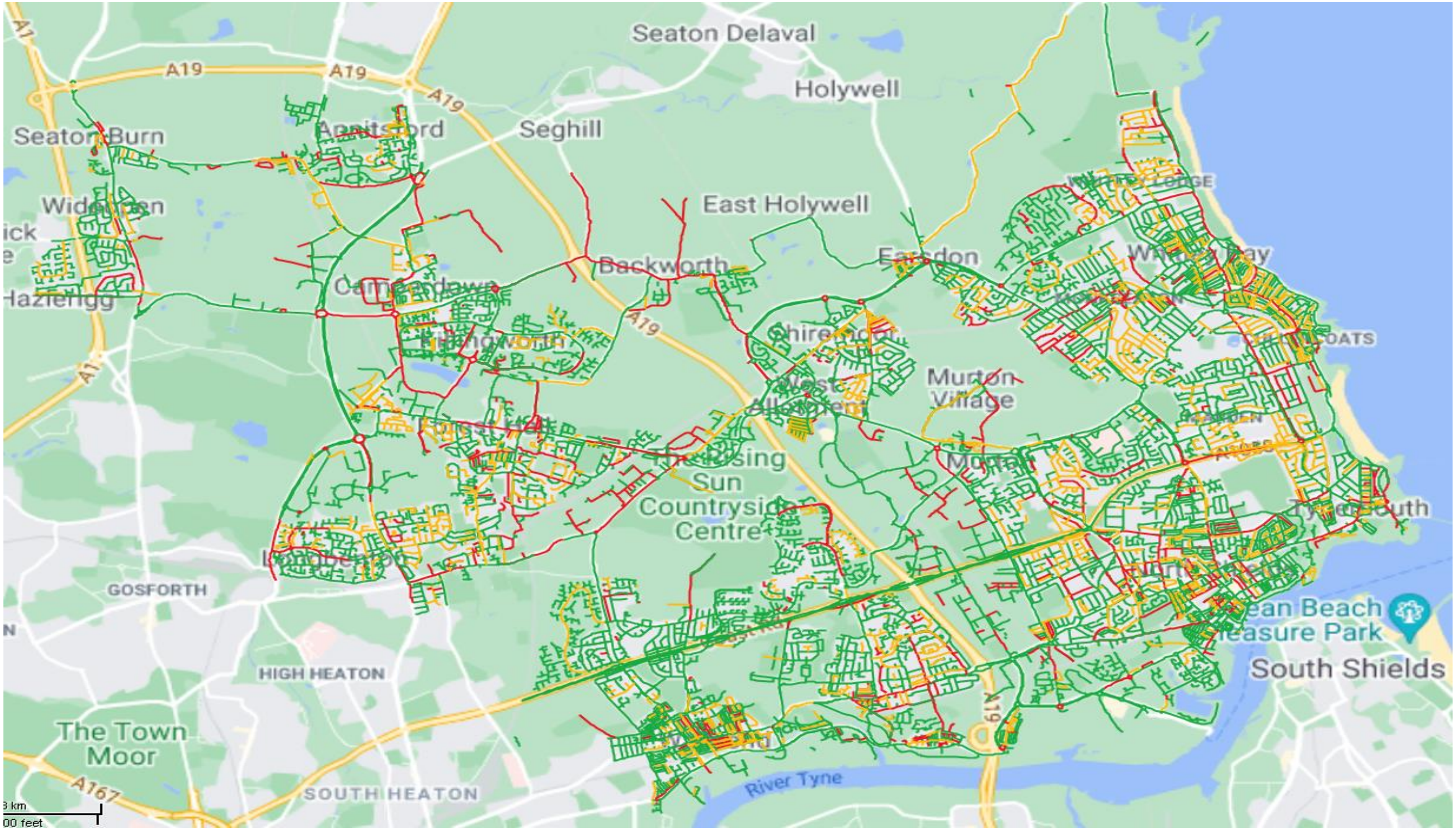
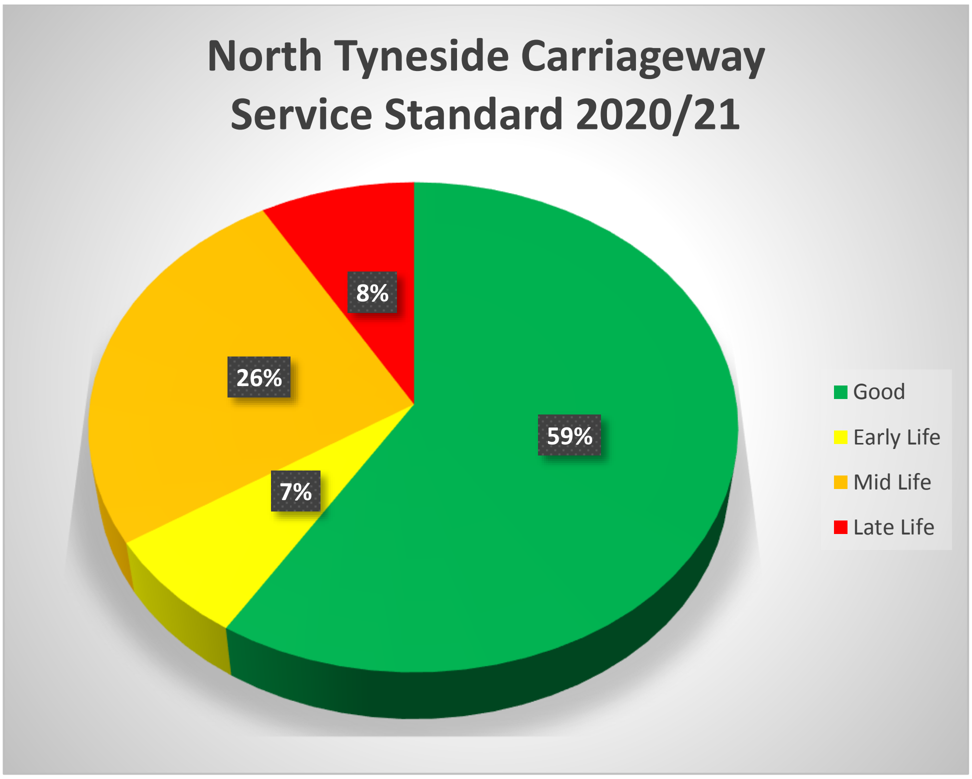


Plan showing condition of highway network – August 2021

The pie chart below demonstrates that under current funding arrangements, the quality of the majority of the road asset is good, with 59% of the network is in this condition band. However, 34% of the network requires some form of maintenance.



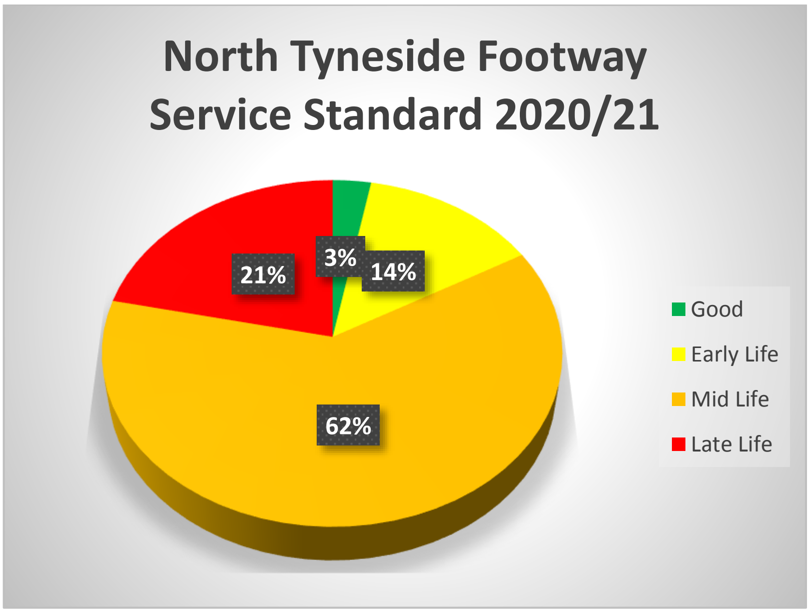
Current Service Standard - Carriageway

The key to continuing having the majority of the road asset in good condition is to target our early and mid-life roads with preventative maintenance treatments to prolong their life. By carrying out preventative cost-effective surface treatments we will stop further deterioration and keep mid-life roads from moving into the red band at which point maintenance work is far more expensive. As the above chart shows, 8% of the borough's roads are in a condition where structural resurfacing should be considered. This has slightly increased from 5% last year.

To ensure we target our early and mid-life roads we gather annual condition survey data and input this into XA© system which allows the identification of the roads in early and mid-life state. It is this information which we use to inform our forward works programme for improvement works on the highway.

A Footway Network Survey (FNS) was completed in 2020 on 100% of the footway network and the condition is presented in the pie chart below. As with roads, the data is held in XA© and is used to complete the Whole of Government Accounts (WGA) return as well as identifying future footway schemes in line with our asset management principles. Improvements to footways is currently a Mayoral priority and is considered accordingly as part of current and future work programmes.

The pie chart below shows the current condition of footways across the Borough for the period 2020/21. 79% of the footway network is at good to mid-life. This is a slight improvement on last year's figure of 77% suggesting additional investment in footways has paid off.



Current Service Standard – Footway

9 HIGHWAY MAINTENANCE BACKLOG

The XA© system can also be used to calculate the current backlog of highway repairs i.e. the cost of rectifying highway defects.

At present the estimated cost for the carriageway maintenance backlog for carriageways identified as red category of repair is circa. **£27 million** which represents a generally steady state. This year a review of unit rates and carriageway widths (collected by 360 degree camera surveys) is being carried out to ensure the maintenance backlog calculation is as accurate as possible.

The footways maintenance backlog is currently **£6million** which is a similar figure to last year.

10 CUSTOMER ENGAGEMENT

In recent years, corporate resident satisfaction surveys have shown that a well-maintained highway network is very important to our residents and customer satisfaction in this area has proved to be a challenge. The Highway Asset Management Plan (HAMP) recognises that improvement to the network will always be constrained by available resources and so there is a need to prioritise.

The Highways service supports the ethos of the National Highways & Transport Network in seeking to continually improve.
The most recent residents' survey was carried out in 2019 and showed that while road and pavement repairs are regarded as areas for improvement – satisfaction with road maintenance had improved by four percentage points from 25% to 29%.

Feedback is also obtained from residents that have benefited from road resurfacing via a post-scheme survey that is carried out by contractors.

Following a successful trial, a member of Capita's communications team will provide engagement support in advance of selected road resurfacing schemes in the 2022/23 programme.

The Highways service is also exploring the introduction of ResponsEye, which will allow residents with a smartphone or laptop to submit live footage of defects, potentially enabling virtual inspections.

11 OTHER AREAS OF INTEREST

This section of the report advises of other items of interest within the Highway Maintenance Service and emerging issues which the Authority needs to be made aware of.

11.1 SELF-ASSESSMENT QUESTIONNAIRE BY THE DEPARTMENT FOR TRANSPORT (DFT)

Several years ago, to encourage local authorities to adopt good asset management practices, DfT introduced changes to the highway maintenance formula funding mechanism. Each highway authority is required to complete a self-assessment questionnaire against a set of criteria aimed at assessing performance in relation to asset management, resilience, customer engagement, benchmarking, efficiency and operational delivery.

The self-assessment bandings are based on the maturity of the authority in key areas, which are described in each question. The principle on which the levels of maturity for each question were determined is described as follows: Band 1 – has a basic understanding of key areas and is in the process of taking it forward; Band 2 – can demonstrate that outputs have been produced that support the implementation of key areas that will lead towards improvements; Band 3 – can demonstrate that outcomes have been achieved in key areas as part of a continuous improvement process.

North Tyneside successfully achieved Band 3 some years ago and has since maintained this position. It is important that Band 3 is sustained in order to receive maximum funding from the Government.
Details of the current 'incentive bands' and funding % over the last 5 years are shown below: -

Year	Band 1	Band 2	Band 3
2016/17	90%	100%	100%
2017/18	60%	90%	100%
2018/19	30%	70%	100%
2019/20	10%	60%	100%
2020/21	0%	30%	100%
2021/22	0%	30%	100%

The funding allocation for North Tyneside Council is presented in the table below. This information was extracted from the DfT's website.

Year	Total needs/formula allocation (£) announced in December 2014	Indicative incentive element by "band" of self-assessment ranking (£)		
		Band 3 (highest band = 100% of maximum incentive)[1]	Band 2 (medium band =100% of maximum incentive)[1]	Band 1 (lowest band = 90% of maximum incentive)[1]
2016-17	2,070,000	125,000	125,000	113,000
2017-18	2,007,000	188,000	169,000	113,000
2018-19	1,817,000	378,000	265,000	114,000
2019-20	1,817,000	378,000	189,000	38,000
2020-21	1,817,000	378,000	114,000	0
2021-22	1,253,000	313,000	94,000	0

11.2 MANAGEMENT OF SERVICES IN RESPONSE TO COVID–19

The Covid-19 pandemic was a major challenge for the whole of the Authority. However, as reported last year, the Highways Service was able to adapt quickly to the crisis and has operated a normal service over the last 12 months. Bespoke safe working measures and mitigation plans that were developed in the early stages of the pandemic have remained in place. The Service continues to operate on as business as usual basis.

12 FUTURE PLANS AND SERVICE IMPROVEMENTS

This section outlines plans for the next 12 months and new service improvements.

12.1 ACTION PLANS

The Technical Partnership is committed to continuous service improvement and a number of action plans are set out in the Partnership Annual Service Plan which can be viewed on request. A summary of the action plans is shown below:

- Full inventory collection of road markings along with a condition assessment and development of a renewal plan for delivery in 2022/23
- Improved road marking testing regime
- Introduction of improved procedures for dealing with vegetation overhanging the highway
- Introduction of improved procedures for income recovery following road traffic accidents

12.2 IMPROVEMENTS TO TECHNICAL SURVEYS

As mentioned in Section 8, within the last 12 months we have introduced new cutting-edge road condition surveys. 360-degree cameras capture data on all highway assets. Artificial intelligence technology is then applied to detect, measure and highlight defects – data is then uploaded and accessible in the Authority's XA© Asset Management System. This gives all users of the system an unparalleled overview of current infrastructure assets and condition. Keeping track of assets and preventing avoidable degradation is a must for local authorities. This technology produces very accurate data across the whole network and enables much more precise projection modelling to forecast the future condition of the network.

13 CONCLUSIONS

The following conclusions can be drawn from this report:

- The highway network is the most asset in the Authority's ownership

- The current total value of highway assets is **£1.84 billion**

- The successful implementation of the HAMP policy and investment strategy is demonstrating that the adoption of asset management principles by North Tyneside has gradually improved the condition of the road network and is now ensuring that the condition remains at a relatively steady state.

- The continued additional capital investment in highway maintenance is improving the overall condition of the carriageway network in line with HAMP principles.

- The Council is performing well in relation to the maintenance of classified main roads and has now reached a steady state of good road condition. This is evidence that the Authority's preventative maintenance principles and other HAMP principles are working effectively. The relatively healthy financial investment in main roads has so far yielded the expected benefits

- However, having applied improved condition modelling, the indications are that it may be difficult to sustain current levels of performance and consideration may need to be given to increasing investment or changing maintenance priorities. The road maintenance backlog is currently around **£27 million** which represents a generally steady state.

- The footways highway maintenance backlog is currently steady at around **£6 million**

- The Technical Services Partnership continues to achieve and exceed its KPI targets and through its Annual Service Plan is identifying innovative ways of working, service improvements and efficiencies which is evident in the report

- Bridge maintenance is under control and can be managed within existing LTP budgets. However, there are some emerging future schemes which may place a future pressure on budgets

- The Technical Partnership has managed to maintain its statutory duties for highway maintenance during Covid – 19 pandemic while ensuring that all staff remained safe and free from risk of Covid – 19. A business as usual service continues to operate.

North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: Climate Emergency Update

Portfolio:	**Environment**	**Cabinet Member:**	**Councillor Sandra Graham**

Report from Service Area:	**Environment Housing and Leisure**	
Responsible Officer:	**Phil Scott, Director of Environment, Housing and Leisure**	**Tel: (0191) 643 7295**
Wards affected:	**All**	

<u>PART 1</u>

1.1 Executive Summary:

In July 2019 Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2050.

Subsequently, in further acknowledgement of the gravity and urgency of the climate emergency, the refreshed Our North Tyneside Council Plan 2021-25, approved by Council in September 2021, included the following ambition;

“We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.”

This report updates Cabinet on the reductions in the Authority and Borough carbon footprints, 52% and 41% respectively, informs Cabinet of a number of actions taken since the previous update report in October 2020 and of the ongoing work programme, and sets out the Authority’s approach to meeting this policy ambition.

1.2 Recommendation:

It is recommended that Cabinet:

1. notes the performance update in relation to the carbon footprint of the Authority and the carbon footprint of the Borough;
2. notes the Authority’s approach to achieving the Our North Tyneside Council Plan policy ambition of carbon net-zero 2030;
3. notes that a further progress report will be presented to Cabinet in 2022.

4. agrees to receive an action plan in 2022 of the steps the Authority will take and the national investment it will seek to make North Tyneside carbon net-zero by 2030.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 1 October 2021.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2021-25 Our North Tyneside Plan:

- We will secure funding to help low-income households to install low-carbon heating;
- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast; and
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.

1.5 Information

1.5.1 Carbon net-zero and current performance

In July 2019 Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2050.

Subsequently, in further acknowledgement of the gravity and urgency of the climate emergency, the refreshed Our North Tyneside Council Plan 2021-25, approved by Council in September 2021, included the following ambition;

"We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030."

Net-zero means achieving a balance between the number of emissions produced and the amount removed from the atmosphere. It requires the reduction of existing emissions and the subsequent removal (offsetting) of remaining emissions.

Working towards a net-zero target recognises that there will be some emissions at the target date which cannot be mitigated against through planned interventions and that these need to be fully offset / inset. Traditionally this would be through natural carbon sequestration such as land and trees, although increasingly the national policy context is including the potential for technological solutions, such as carbon capture and storage.

The Authority's carbon footprint is made up of the power, heat and water used to run its operational buildings, including the sheltered accommodation offer but not schools, the electricity used to power over 31,000 street lighting apparatus, the fuel and power used to operate the Authority's fleet of vehicles that are used to deliver services and the business miles staff travel in their own vehicles (not including commuting to and from work). This definition of the Authority's carbon footprint is in line with central government's Greenhouse Gas Protocol guidance.

The Authority submits an annual performance report to the Department for Business, Energy & Industrial Strategy (BEIS) that details the year-on-year measurement of the

Authority's carbon footprint. This is published on the Authority's website and is included as a background paper.

At the end of 2020/21, the Authority's carbon footprint had decreased by 52% since the baseline year of 2010/11, well in advance of the 2023 target.

The Borough's carbon footprint is made up of the power and heat used in the commercial, industrial and domestic buildings across the whole of the Borough, emissions from road and rail transport, and land use and forestation activities, which can result in either a release into or removal of emissions from the atmosphere.

An annual report is provided to the Authority by BEIS detailing the carbon footprint of the Borough. The most recent report shows that between the baseline year of 2005 and 2019, absolute carbon emissions have decreased by 41% and carbon emissions per head of population have decreased by 45% when accounting for population growth.

The most recent data shows that the respective carbon footprints are:

- Authority – 14,395 tonnes of CO_2
- Borough – 827,200 tonnes of CO_2

1.5.2 What action has been taken?

The Authority is clear in its commitment to tackling the Climate Emergency and has taken a number of steps since the previous report to Cabinet in October 2020. These include but are not limited to;

- Council agreed over £4.3m funding to convert almost 20,000 street lights to energy efficient LED. This will complete the street lighting LED programme.

- The Killingworth Depot has reopened. This has undergone a significant refurbishment including an improved fabric first approach, installation of efficient electrical and mechanical equipment, and installation of low carbon heating. Further work to install roof based and car port Solar PV systems, and battery storage, is due to take place in the coming months. This is now the subject of a best practice case study.

- Secured £4.3m funding from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in over 500 homes with low-household incomes.

- Secured £3.2m funding from the Public Sector Decarbonisation Grant to install low carbon heating and energy efficiency measures in four of the Authority's most carbon intensive buildings.

- Cabinet approved a revised North Tyneside Transport Strategy which aligned to the new Our North Tyneside Plan carbon net-zero 2030 policy ambition.

- The Authority has developed its first ever Zero Emission Vehicles (ZEV) Strategy and this is presented to Cabinet for approval on 29 November 2021.

- Securing funding to develop a North East Community Forest across North Tyneside, South Tyneside, Newcastle, Gateshead, Sunderland and Durham. This will provide 500 hectares of new woodland and canopy cover across the community forest area by 2025.

- Increased the number of electric and ultra-low emission vehicles in the Authority's fleet.

- An increased number of energy efficiency and solar PV installations have been built into the draft Housing Capital Plan to be considered as part of the 2022-2026 Financial Planning and Budget Process.

- Trialled the use of an electric refuse collection vehicle.

- Secured funding for, and completed, an independent review of the Authority's fleet and options for decarbonisation.

- Included a number of questions in the resident's survey on climate emergency for the first time ever.

- Developed an 'Action on Climate Change' brand and logo which will be used on Authority assets such as vehicles, and on printed and digital communications on climate emergency work in the borough. This is an umbrella brand with opportunities for residents, organisations, schools and businesses to use it to showcase their sustainability work. It will also feature in a behavioural change campaign to help residents, businesses, stakeholder and visitors to take steps towards reducing carbon dioxide emissions.

- Published a "Climate Hub" on the Authority's website containing useful climate emergency information, press releases, key documents and grant information.

- Hosted a "Call for Evidence" event during the United Nation's Climate Change Conference of the Parties 26 (COP26), including large organisations and stakeholder groups in the Borough.

- Secured funding from the North East Local Enterprise Partnership Energy Accelerator programme for the development of a Heat Network feasibility study for the Killingworth depot site and surrounding commercial, industrial and housing units.

- Launched a Business carbon awards scheme.

- The Authority has agreed to develop 9 affordable homes on a former garage site utilising a Modern Method of Construction (MMC) called HUSK. These homes will utilise electricity as a form of heat and build on our fabric first approach with a combination of Air Source Heat Pumps and Solar PV arrays.

- Completed a number of renewable energy feasibility studies that are now being considered for investment.

- Developed a Human Resources and Organisational Development action plan, including embedding a climate emergency section in individual performance reviews, including a statement on climate emergency in all job descriptions and recruitment packs, and including climate emergency in the recently launched new starter's induction day.

- Approved feasibility funding for the development of a Heat Decarbonisation Plan for public buildings.

- Launched a ‘Sustainability Incubator Programme’ to support North Tyneside businesses to improve their environmental sustainability.

- Installed 7 water fountains along the coast to support active travel and the campaign to end single use plastics, with a further 10 planned.

- Promoted a number of environmentally friendly businesses.

- Continued working with our young, elected representatives to shape our plans around climate emergency, waste, recycling and reducing single use plastics usage.

- The Authority published its 2020/21 Annual Greenhouse Gas Report, detailing performance on reducing the carbon footprint of the Authority and the Borough.

- Consulting on a scheme to create a continuous segregated cycle lane along the length of the North Tyneside Coast between St Mary’s Lighthouse and North Shields Fish Quay/Town Centre.

- Secured almost £9m funding to provide an additional 14 kilometres of cycle routes and improve active travel and public transport.

- The Authority’s partnership with E.On, which installed solar PV generation systems on over 1,400 council houses, produced 3,000 megawatt hours of renewable electricity in 2020. This is equivalent to 754 tonnes of carbon dioxide emissions.

- Took part in the Government consultation on “Consistency in Household and Busines Recycling in England” and in line with the refreshed Our North Tyneside Council Plan 2021-25 policy commitment, supported the proposals for the introduction of separate food waste collections.

- Working with the North of Tyne Combined Authority;

    - Ran a climate emergency citizens assembly with 50 residents who made a set of 30 recommendations.
    - Agreed a Green New Deal, with £9m of public sector investment with an additional £9m private sector investment.
    - Established the North East Energy for Growth Accelerator.

1.5.3 Approach to carbon net-zero 2030

The Authority has a good understanding of the main sources of carbon dioxide emissions that makes up both the Authority carbon footprint and the Borough carbon footprint, as detailed in section 1.5.1 of this report, and has published a Climate Emergency Action Plan in October 2020. However, that plan was working towards a 2050 decarbonisation pathway and the new carbon net-zero 2030 ambition within the Our North Tyneside Council Plan 2021-25 requires that the Authority’s action plan be redeveloped.

The Authority is developing a number of carbon net-zero plans that specifically address these sources of emissions, such as an Authority buildings net-zero plan, fleet net-zero plan, street lighting net-zero plan and housing net-zero plan. These will be supported with net-zero plans for key functions such as supply chain and procurement, organisational culture and carbon offsetting.

It is important to understand that the Authority's carbon footprint is less than 2% of the Borough's carbon footprint. Working with the North Tyneside Strategic Partnership, the Authority will form a Green North Tyneside Board that will bring together other public sector organisations, large producers of carbon dioxide emissions in the Borough and key stakeholders to address the climate emergency collectively.

The investment and net-zero plans of other organisations will help to influence and shape the Authority's approach to carbon net-zero 2030, work programmes and campaigns, for example, the replacement of Nexus rolling stock will both bring a direct energy efficiency improvement and emissions reduction and will also present the opportunity for a campaign around more sustainable transport.

The Green North Tyneside Board will assist the Authority in capturing these plans, sharing best practice, collaborating on strategic projects and opening the Authority's own plans up to scrutiny. The recent 'Call to Evidence' event hosted by the Authority on November 11th brought together a number of large organisations and stakeholders to share and scrutinise plans and was a useful event for shaping the future board.

Engaging and energising our residents, businesses, partners and visitors will be key in working towards a carbon net-zero 2030 and the Authority has developed a campaign to support this. There is a need to create a movement and to encourage behavioural change to meet the challenges of a carbon net-zero 2030 ambition. The recent resident's survey, which included questions on climate emergency for the first time, will help to inform the campaign, as will other conversations with key stakeholders.

The Authority's Climate Emergency Board will continue to provide governance to the programme of work listed within section 1.5 of this report.

1.5.4 National policy context

The Climate Change Act 2008, as amended in 2019, commits the UK to net-zero by 2050. Throughout 2021 and particularly in the run up to COP26, key Government strategies and plans have been released that set out the Government's approach to net-zero, including the Ten Point Plan, Net Zero Strategy and Heat and Building Decarbonisation Strategy.

It is important that the Authority's approach to developing its own carbon net-zero 2030 plan fully considers the decarbonisation plans, investments, technological developments and opportunities for economic growth outlined within these key documents.

The Authority will ensure that its plans are aligned to these key documents to both realise the opportunities for decarbonisation and economic growth, and to identify where the differing timeline of national government targets will have an impact on the Authority's carbon net-zero 2030 ambition.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To agree to the recommendations set out in paragraph 1.2 of the report.

Option 2

To not approve the recommendation set out in paragraph 1.2 of the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Agreeing the recommendations set out in paragraph 1.2 of the report will support the delivery of the Our North Tyneside Council Plan 2021-25 carbon net-zero 2030 ambition.

1.8 Appendices:

'Appendix: North Tyneside Climate Emergency Action Plan'.
North Tyneside Climate Emergency Action Plan

1.9 Contact officers:

Paul Nelson, Environmental Sustainability & Street Lighting Manager, Technical & Regulatory Services, tel. (0191) 643 6467
Colin MacDonald, Senior Manager, Technical & Regulatory Services, tel. (0191) 643 6620
Michael Keenlyside, Environmental Sustainability Officer, tel. (0191) 643 6505
Cathy Davison, Principal Accountant Investment (Capital) and Revenue, tel. (0191) 643 5727

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) Annual Greenhouse Gas Report 2020-21
(2) BEIS Local Authority and regional carbon dioxide emissions national statistics 2005-2019
(3) Our North Tyneside Plan 2021-25

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The financing of specific projects to reduce carbon emissions will be considered as part of the development of each business case. Any investment required in addition to existing budgets will be reported to Cabinet / Council.

2.2 Legal

There are no direct legal implications arising from this report.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The Climate Emergency Board provides governance and a mechanism for internal consultation on the programme of work outlined in this report. The Board is co-chaired by the Cabinet Member for Environment and includes the Deputy Mayor in its membership.

2.3.2 External Consultation/Engagement

Individual residents, community groups and businesses have demonstrated a passion to ensure North Tyneside is sustainable. Our climate emergency work has been informed by working with business on specific technologies, with cycling organisations as we increase North Tyneside's cycling infrastructure and working with our Young Mayors, Members of the Young Parliament and Youth Councillors to listen to their views about how we protect North Tyneside for their future. As a landlord, the Authority has worked with Tenants' representatives and individual tenants on energy efficient products and how to use them. As a leisure business, the Authority has worked with its customers, experts and the sector to reduce energy consumption and as a waste business, the Authority has spent time working on best practice with the sector and local universities to review and revise operations. Recently we have been working closely with our bus operators to apply Government funding to their fleet to reduce emissions.

The Climate Emergency Action Plan was developed in consultation with a wide range of stakeholders, including the public, private and third sectors.

The Authority recently hosted a 'Call for Evidence' day with other public sector organisation, businesses, stakeholders and residents to share plans and open them up to scrutiny.

2.4 Human rights

There are no human rights implications arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues directly arising from this report.

2.6 Risk management

There are no risk issues directly arising from this report.

2.7 Crime and disorder

There are no crime and disorder implications arising from this report.

2.8 Environment and sustainability

This report details the achievements in reducing the carbon footprints of the Authority and the Borough and sets out an approach to achieving the Authority's carbon net-zero 2030 policy ambition.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

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North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: Bus Partnership

Portfolio: **Deputy Mayor**	**Cabinet Member:** **Councillor Carl Johnson**

Report from Service Areas:	**Regeneration and Economic Development**
Responsible Officer:	**John Sparkes, Director of Regeneration and Economic Development** **Tel: (0191) 643 6091**
Wards affected:	**All**

PART 1

1.1 Executive Summary:

Cabinet in September 2021 agreed fully to support and endorse the establishment of an Enhanced Partnership (EP) for bus services in the North East. The region's Bus Service Improvement Plan (BSIP) has since been approved by the North East Joint Transport Committee (JTC) and submitted to the Department for Transport.

The required next steps are to develop an EP Plan and one or more EP Schemes, and to carry out associated engagement. Through its National Bus Strategy, the Government has stipulated that an EP must be in place by April 2022 in order for the region to receive any further Government funding for bus services.

While the JTC discharges functions on behalf of the local transport authorities, namely, the North East Combined Authority and the North of Tyne Combined Authority, aspects of the EP Plan and Scheme(s) will relate to powers held by the Authority, as the highway authority for the borough.

Recognising the positive value of having an EP in place and allowing for the timescales necessary to meet Government deadlines, Cabinet is invited to delegate authority to the Deputy Mayor, and the Director of Law and Governance in consultation with the Cabinet Member for Finance and Resources and officers as described in section 1.2 below.

1.2 Recommendation:

It is recommended that Cabinet:

1. authorise the Deputy Mayor, in consultation with the Cabinet Member for Finance and Resources, the Director of Regeneration and Economic Development, the Director of Environment, Housing and Leisure, the Director of Law and Governance and the Director of Resources, to agree the draft Enhanced Bus Partnership's Plan and Scheme(s) insofar as they relate to the Authority's highway authority functions which are to be the subject of a statutory consultation in accordance with the requirements of the Transport Act 2000;

2. authorise the Deputy Mayor, in consultation with the Cabinet Member for Finance and Resources, the Director of Regeneration and Economic Development, the Director of Environment, Housing and Leisure, the Director of Law and Governance and the Director of Resources, to agree on behalf of the Authority to any amendments to the Enhanced Bus Partnership's Plan and Scheme(s) arising from the consultation; and

3. authorise the Director of Law and Governance, in consultation with the Deputy Mayor, the Cabinet Member for Finance and Resources, the Director of Regeneration and Economic Development, the Director of Environment, Housing and Leisure and the Director of Resources, to enter into an Enhanced Partnership and Scheme(s) on behalf of the Authority and to take all other steps necessary to implement these proposals.

1.3 Forward Plan:

It has not been possible to give twenty-eight days' notice of this report however it is required to be considered at this meeting of Cabinet in order to reflect timescales set by the Government for bus partnership development. This item first appeared on the Forward Plan that was published on 17 November 2021.

1.4 Council Plan and Policy Framework

The proposals in this report support a number of priorities in Our North Tyneside, the Council Plan 2021 to 2025, in particular:

- A secure North Tyneside
  - We will continue to invest £2m per year in fixing our roads and pavements

- A green North Tyneside
  - We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
  - We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

1.5 Information:

1.5.1 Background

There were approximately 5.9 million miles of bus journeys made within North Tyneside in 2018/19. Since the onset of the Covid-19 pandemic, buses have continued to provide a vital service, however passenger numbers remain lower than before.

The Local Plan and the North Tyneside Transport Strategy state that the Authority will work with partners to support bus provision as part of an integrated public transport network. As a low-carbon form of transport, bus services are also a vital part of realising the aims of the Authority's Climate Emergency Action Plan. The regional North East Transport Plan also aims to improve bus travel and attract more passengers.

1.5.2 The National Bus Strategy and the Enhanced Partnership process

The Government announced in March 2021 that ongoing funding for bus services would be dependent on authorities' and bus operators' participation in new arrangements. The National Bus Strategy, 'Bus Back Better', set out a more formal framework for partnership working between authorities and bus operators and instructed each area to implement a statutory EP under the Transport Act 2000 (as amended by the Bus Services Act 2017). Entering into an EP is a requirement in order to receive ongoing Government funding for bus services.

As part of the process set out in the National Bus Strategy, each area was also required to develop a Bus Service Improvement Plan (BSIP).

1.5.3 Process and governance

The Authority is represented on the JTC by the Elected Mayor as the designated member and the Deputy Mayor as the designated substitute member.

Reflecting the national guidance, in June 2021 the JTC agreed to notify the Government of its intention to proceed with an EP. In July 2021 the JTC approved a process of public engagement, which was carried out by Transport North East over the Summer and branded as the 'Big Bus Conversation'. Factors which respondents identified as barriers to using the bus more often included the level of fares; bus service punctuality and reliability; buses being seen as slow; buses not necessarily going where people needed them to; and vehicle cleanliness and maintenance in the context of the Covid-19 pandemic.

This informed the development of the North East BSIP, which was approved by the JTC and submitted to the Department for Transport by the deadline of 31 October 2021. The BSIP set out a far-reaching programme of potential measures to improve bus services in the North East, and made an ambitious request for Government funding of £804m to deliver the measures over three financial years from 2022/23 to 2024/25. A Government announcement is awaited on the level of funding which will be provided to the region.

An EP Plan and Scheme(s) are currently being developed in accordance with Government guidance. These must first be subject to a period of bus industry stakeholder engagement, known as the 'Operator Objection Mechanism'. Following this, a period of statutory consultation is required: this is currently intended to commence on 13 January 2022. Government funding timescales then require the EP to be in place by 1 April 2022.

At its meeting of 20 September 2021, Cabinet agreed fully to support and endorse the establishment of an Enhanced Partnership (EP) for bus services in the North East.

1.5.4 Transport and highways functions

The JTC discharges certain local transport authority functions on behalf of the two combined authorities, and is responsible for the preparation of the statutory transport plan and has various responsibilities with respect to public transport. However, aspects of the EP Plan and Scheme(s) will relate to powers held by the Authority, as the highway authority for the borough, such as the delivery of measures on the highway which require a Traffic Regulation Order (TRO).

It is therefore important for the Authority, as the highway authority for the borough, to have a full understanding of the requirements of the EP Plan and Scheme(s) as they relate to highway authority powers. Once the EP takes effect, there will be an obligation on the Authority to implement facilities and measures in accordance with the identified EP Scheme(s).

1.5.5 Structure of Enhanced Partnership Plan and Scheme(s)

An EP is a statutory partnership between a local transport authority and local bus operators, which sets out how they will work together to deliver the outcomes identified in the BSIP. It consists of two parts: an EP Plan and one or more EP Schemes.

Government guidance advises that an EP Plan should state a clear vision of the improvements to bus services which the EP aims to deliver, consistent with the BSIP: it should summarise the evidence base; what outcomes need to be delivered to improve local bus services in the area; and what overall interventions the partnership believes should be taken to deliver those outcomes.

An EP scheme should set out the precise detail of how the BSIP vision and objectives will be achieved, including any commitments made by authorities or standards to be met by bus operators, and detail the specific interventions that will be made. It sets out the legal obligations on the relevant authorities and bus operators and is the mechanism by which the commitments made in the BSIP and the EP Plan are delivered.

1.5.6 Next steps

The main next steps in the process (including indicative dates) are as follows:

14 December 2021	JTC approval sought for consultation versions of EP Plan and Scheme(s)
16 December 2021	Operator Objection period to begin
13 January 2022	Statutory consultation to commence
15 March 2022	JTC approval sought for final EP Plan and Scheme(s)
1 April 2022	EP to commence

Recognising that the development of an Enhanced Partnership represents an opportunity to deliver aspects of the Authority's and the region's transport objectives and to secure ongoing Government funding for bus services, and allowing for the timescales necessary to meet Government deadlines, Cabinet is invited to authorise the Deputy Mayor, and the Director of Law and Governance in consultation with the Cabinet Member for Finance and Resources and officers as described in section 1.2 of the report, to give the necessary approvals on behalf of the Authority and the entering into an Enhanced Bus Partnership and Scheme(s) once that is finalised.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To approve the recommendations as set out in paragraph 1.2 above.

Option 2

Not to approve the recommendations as set out in paragraph 1.2 above.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Approving the recommendations in paragraph 1.2 will support the further development of an Enhanced Partnership, which represents an opportunity to deliver aspects of the Authority's and the region's transport objectives and to secure ongoing Government funding for bus services.

1.8 Appendices:

No appendices.

1.9 Contact officers:

John Barton, Lawyer, 0191 643 5354
Paul Dowling, Service Manager Regeneration and Transport, 0345 2000 101
Nicholas Bryan, Highway Network Manager, 0191 643 6622
Andrew Flynn, Integrated Transport Manager, 0191 643 6083
John Cram, Integrated Transport Officer, 0191 643 6122
Cathy Davison, Principal Accountant Investment (Capital) and Revenue, 0191 643 5727

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) North Tyneside Transport Strategy (approved by Cabinet on 18 October 2021)
(2) North East Transport Plan
(3) North Tyneside Network Management Plan
(4) North Tyneside Travel Safety Strategy
(5) North East Bus Service Improvement Plan (BSIP)
(6) North East 'Your Vision for Buses' (July 2021)
(7) Bus Back Better: the national bus strategy for England
(8) Department for Transport Guidance – Bus Services Act 2017: Enhanced Partnership creation
(9) Cabinet Report dated 20 September 2021 'Bus Partnership'

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The North East's BSIP set out an ambitious request for Government funding for the delivery of measures relevant to bus services as described in section 1.5.3: a Government announcement is awaited on the level of funding which will be provided to the region. Entering into an EP is a requirement in order to receive ongoing Government funding for bus services.

Any expenditure which cannot be contained within existing budgets will be reported to Council / Cabinet, as appropriate for a decision before any expenditure is incurred or committed.

2.2 Legal

The Authority's integrated transport authority functions were transferred to the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (known as the "North of Tyne Combined Authority") established by the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018. Those transport functions must be exercised through the North East Joint Transport Committee which is a joint committee of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority (known as the "North East Combined Authority") and the North of Tyne Combined Authority or the Joint Transport Committee's Tyne and Wear Sub-Committee. The Authority works with the combined authorities on transport matters and is represented on the Joint Transport Committee and its Sub-Committee.

Highway authority functions remain with the Authority and were unaffected by the establishment of the combined authorities.

Section 138B of the Transport Act 2000 states that if an Enhanced Bus Partnership Scheme(s) requires the making of Traffic Regulation Orders, the Scheme(s) must be made jointly by the local transport authorities and the metropolitan district councils as "makers" of the Scheme.

The proposed Enhanced Partnership plan and scheme(s) would oblige the Authority, as the highway authority for the borough, to take the measures set out in each Scheme by a specified date unless the Scheme is formally postponed, or the Authority is temporarily unable to meet its obligations for reasons outside its control.

The development of an Enhanced Partnership follows a statutory framework under the Transport Act 2000 (as amended by the Bus Services Act 2017), requiring legal notices, consultation, and formal agreements. The EP will become legally binding upon the local transport authority, the Authority as a local highway authority, and bus operators once made.

2.3 Consultation/community engagement

2.3.1 <u>Internal Consultation</u>

Internal consultation has involved the Deputy Mayor, the Director of Regeneration and Economic Development, the Director of Environment, Housing and Leisure, the Director of Law and Governance and the Director of Resources.

2.3.2 <u>External Engagement</u>

External engagement was previously carried out by Transport North East in Summer 2021, and further external engagement and formal consultation are proposed to be carried out by Transport North East, as described in section 1.5.3.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equalities and diversity issues directly arising from this report. The Enhanced Partnership is to be developed in line with the Public Sector Equality Duty.

2.6 Risk management

There are no risk management implications arising directly from this report. Strategic and operational risks associated with transport matters are assessed via the established corporate process.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues directly arising from this report. There are potential positive implications from the introduction of an Enhanced Partnership as this is expected to support the greater provision of zero-emission buses and new ticketing products which may incentivise bus travel in preference to car travel.

PART 3 - SIGN OFF

- Chief Executive X
- Director of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X

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North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: North Tyneside Zero Emission Vehicles Strategy

Portfolio:	**Environment**	**Cabinet Member:**	**Councillor Sandra Graham**

Report from Service Areas:	**Environment, Housing and Leisure**	
Responsible Officer:	**Phil Scott, Director of Environment, Housing and Leisure**	**Tel: (0191) 643 7295**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

In October, Cabinet approved the revised and updated North Tyneside Transport Strategy. One of its key principles is to reduce carbon emissions from transport. This supports the ambition of the Our North Tyneside Plan 2021 to 2025, which commits to publishing an action plan of the steps the Authority will take, and the national investment it will seek, to make North Tyneside carbon net-zero by 2030.

The Transport Strategy contained a commitment to update, where appropriate, the specific strategies and plans which fit within the context of the Transport Strategy. The purpose of this report is to seek Cabinet's approval for a new North Tyneside Zero Emission Vehicles (ZEV) Strategy.

The strategy sets out how the Authority will support increased uptake of ZEVs, which includes pure electric vehicles (EVs) and hydrogen vehicles, in preference to petrol or diesel vehicles, and thereby contribute to progress towards carbon net-zero and minimise local air pollution.

1.2 Recommendation:

It is recommended that Cabinet:

i. approves the revised North Tyneside Zero Emission Vehicles Strategy attached as Appendix 1 to this report; and

ii. authorises the Director of Environment, Housing and Leisure, in consultation with the Cabinet Member for Environment, to make amendments to the strategy from time to time to reflect the developing nature of the market for ZEVs.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 8 October 2021.

1.4 Council Plan and Policy Framework

The proposals in this report support the following priority in Our North Tyneside, the Council Plan 2021 to 2025:

- A green North Tyneside
  - We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

1.5 Information:

1.5.1 Background

In October 2021, Cabinet approved the revised and updated North Tyneside Transport Strategy. Its vision is "Moving to a green, healthy, dynamic and thriving North Tyneside". One of the key principles underpinning the Transport Strategy is to reduce carbon emissions from transport.

This supports the ambition of the Our North Tyneside Plan 2021 to 2025, which commits to publishing an action plan of the steps the Authority will take and the national investment it will seek to make North Tyneside carbon net-zero by 2030. It also reflects the Authority's declaration of a climate emergency, made in July 2019, and the aims of the North Tyneside Local Plan, which notes that, alongside encouraging everyday cycling and walking, zero emission vehicles can help to reduce carbon emissions.

The Transport Strategy contained a commitment to update, where appropriate, the specific strategies and plans which fit within the context of the Transport Strategy. This included producing a new Zero Emission Vehicles Strategy for North Tyneside.

The proposed Zero Emission Vehicles Strategy is attached to this report as Appendix 1. This strategy aims to support the take-up of zero emission vehicles (ZEVs, which includes both pure electric vehicles and hydrogen fuel cell vehicles) in preference to petrol or diesel vehicles in the borough. It is important to recognise that it is not its intention to increase the number of vehicles on the roads, but to ensure that a far higher proportion of vehicles on the highway network are zero emission. Together with improvements to cycling, walking and public transport this will help to realise the Authority's climate emergency aims.

This also complements transport policy at regional level. The North East Transport Plan was adopted by the regional Joint Transport Committee in March 2021. Under the objective 'Carbon neutral North East', it commits to initiate actions to make travel in the North East carbon net zero: it also sets out the intention to produce both a North East Zero Emission Vehicle Policy and a North East Road Infrastructure and Zero Emissions Strategy in the near future.

1.5.2 North Tyneside in the national context

The proposed North Tyneside ZEV Strategy has been prepared with a clear eye on the national and regional context. In 2018 the Government published ‘The Road to Zero’, which sought to put the UK at the forefront of the design and manufacturing of ZEVs and affirmed the Government’s commitment to end the sale of new petrol and diesel cars and vans by a set date. The deadline has since been brought forward to 2030 for pure petrol and diesel vehicles and 2035 for hybrid vehicles.

As a result, it is clear that the prevalence of ZEVs is set to continue to rise and that ZEVs will ultimately replace petrol and diesel vehicles. New registrations of ZEVs are already rapidly rising: the number of EVs registered in North Tyneside more than doubled over three years (from January-March 2017 to January-March 2020), while at national level the equivalent figure showed a fivefold increase.

It is recognised that the Authority has a leadership role to play, and the Authority has already taken a number of relevant steps, such as: introducing electric vehicles into its own fleet; securing funding for pedal-powered, electrically assisted e-cargobikes for use by local businesses; and working with partners to install modern Rapid chargepoints, which can charge an EV to 80% within 40 minutes, at several of the Authority’s public car parks.

Nevertheless, the Authority is not a mainstream fuel provider to the public or businesses, therefore it is not anticipated that the Authority would become the long-term default provider for EV chargepoints.

In addition, ZEVs and the charging infrastructure they require are relatively new and developing technologies. Whilst much of the focus is currently on EVs, innovation and development is happening all the time across a range of alternative fuel sources. It will be important to be ready to respond quickly to future changes and as such it is appropriate for the Authority’s ZEV Strategy, including its action plan, to be suitably flexible and responsive.

1.5.3 Scope of the proposed North Tyneside ZEV Strategy

The proposed ZEV Strategy (“the strategy”) sets out the objectives and actions which the Authority will implement to support and facilitate an inclusive move to ZEVs in preference to petrol or diesel vehicles, and help to deliver its challenging carbon net-zero commitments. The strategy will support the realisation of the aims in the North Tyneside Transport Strategy and the Our North Tyneside Plan.

The strategy sets out background information regarding aspects of ZEVs. It notes that, compared with petrol or diesel vehicles, ZEVs have a lower carbon footprint; do not produce ‘tailpipe’ emissions of local air pollutants such as nitrogen dioxide; and are quieter, resulting in lower noise levels. Equally, the strategy recognises that all motor vehicles emit some local air pollutants, e.g. fine particulates from brake and tyre wear, hence while ZEVs generate considerably less local air pollution than other vehicles, walking and cycling (including cargo bikes) remain the cleanest ways to travel.

The strategy recognises that charging a vehicle at home and overnight is convenient, can be more affordable, and also has the lowest carbon footprint, as it uses electricity at an off-peak time when reduced demand on the grid allows greater use of lower-carbon electricity generation. It also notes that Government grants are available for both householders and businesses to install EV chargepoints.

It then summarises various challenges associated with the uptake of ZEVs, and notes that there are distinct challenges for taxi (hackney carriage and private hire vehicle), bus and freight operators in adopting ZEV technologies. It notes that to be convenient and overcome ‘range anxiety’ (lack of confidence that an EV can cover a certain length of journey: particularly important for the visitor economy), it is important for the network of publicly available charging infrastructure to be not only reasonably widespread but also reliable and well maintained.

The strategy contains an action plan, which sets out eight actions to be undertaken in order to deliver the aims of the strategy. Of these, five are ‘leadership’ actions, which can be directly undertaken by the Authority. These relate to, for example:

- requiring developers to provide EV charging as part of new developments;
- upgrading and expanding the existing network of EV chargepoints in the Authority’s car parks and premises, including seeking to install EV chargepoints in the Authority’s main leisure centre car parks and public car parks, and making provision for disabled access at chargepoints a design consideration when these are installed or renewed; and
- in areas of terraced streets where houses do not have private off-street parking, if the commercial market does not provide a solution, working with commercial operators to seek to introduce off-street charging ‘hubs’ in the local area.

The remaining three are ‘influencing’ actions, which relate to matters not within the Authority’s direct control but where the Authority can assist in prompting the delivery of the action. These relate to, for example:

- promoting and encouraging the uptake of EV chargepoints by householders and businesses, including developing a communications plan;
- working with partner organisations, large employers and destinations such as retail sites, e.g. through the Go Smarter in North Tyneside programme, to advocate the uptake of opportunities to provide additional EV chargepoints; and
- work with the sector on opportunities to increase ZEVs as a proportion of the taxi and bus fleet in the borough.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

To approve the recommendations as set out in paragraph 1.2 above.

Option 2

Not to approve the recommendations as set out in paragraph 1.2 above.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Approval of the strategy will facilitate the delivery by the Authority of measures to support the shift from to ZEVs in place of petrol or diesel vehicles, which will help to reduce transport-related carbon emissions and minimise local air pollution in the borough.

1.8 Appendices:

Appendix 1 – North Tyneside Zero Emission Vehicles Strategy (final draft for approval)
Appendix 2 – Equality Impact Assessment (EIA)

1.9 Contact officers:

Andrew Flynn, Integrated Transport Manager, 0191 643 6083
John Cram, Integrated Transport Officer, 0191 643 6122
Colin MacDonald, Senior Manager Technical and Regulatory Services, 0191 643 6620
Cathy Davison, Principal Accountant Investment (Capital) and Revenue, 0191 643 5727

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) North Tyneside Transport Strategy

(2) North Tyneside Local Plan

(3) North East Transport Plan

(4) Report to Cabinet of 18 October 2021 'North Tyneside Transport Strategy'

(5) Department for Transport strategy 'The Road to Zero – next steps towards cleaner road transport and delivering our Industrial Strategy'

(6) HM Government policy paper 'The ten point plan for a green industrial revolution – building back better, supporting green jobs, and accelerating our path to net zero'

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Authority is exploring all available funding opportunities to support the objectives of this strategy. Internally, it is being considered as part of the development of its Medium-Term Financial Plan including shaping how Local Transport Plan funding is allocated. Externally, the Authority intends to build on its previous successes in being able to secure over £3.6millon in additional funding to support the transition to zero emission vehicles. For example, this has included the installation of publicly accessible Rapid charge points in several of the Authority's public car parks.

Any use of existing resources or allocation of new funding streams will be considered through the Authority's financial governance framework, including via the Investment Programme Board, inclusion in the Financial Management reports to Cabinet and in the Investment Plan included as part of the Medium-Term Financial Plan considered by Council each year.

2.2 Legal

There are no legal implications arising directly from this report. Aspects of electric vehicle charging point provision are specified in the Automated and Electric Vehicle Act 2018 and associated legislation.

By virtue of section 9D of the Local Government Act 2000 any function of the Authority is the responsibility of the Executive unless there is a contrary intention expressed in legislation. There is nothing in the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 that indicates that the Zero Emission Vehicles Strategy is not to be a matter for Cabinet.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has involved the Cabinet Member for Environment and the Director of Environment, Housing and Leisure.

2.3.2 External Engagement

The ZEV Strategy is one of the specific strategies and plans which fit within the context of the North Tyneside Transport Strategy, and has been developed with reference to the evidence base used for that strategy, as outlined in the report 'North Tyneside Transport Strategy' to Cabinet of 18 October 2021.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

The Strategy has been formulated having regard to the public sector equality duty imposed on the Authority by section 149 of the Equality Act 2010. An Equality Impact Assessment has been undertaken and is appended to this report at Appendix 2.

2.6 Risk management

There are no risk management implications arising directly from this report. Strategic and operational risks associated with transport matters are assessed via the established corporate process.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

The strategy aims to improve environmental sustainability through facilitating the shift to ZEVs in place of petrol or diesel vehicles. This will help both to reduce transport-related carbon emissions in the borough, and to minimise local air pollution from nitrogen dioxide emissions.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	X
• Mayor/Cabinet Member	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

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North Tyneside

Zero Emission Vehicles Strategy

Introduction

1. North Tyneside has a transport strategy. Its vision is:

   “Moving to a green, healthy, dynamic and thriving North Tyneside”

   One of the key principles underpinning the strategy is to reduce carbon emissions from transport.

2. This supports the ambition of the Our North Tyneside Plan 2021 to 2025, which commits to publishing an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030, and reflects the Authority’s declaration of a climate emergency, made in July 2019.

3. This strategy aims to support the take-up of zero emission vehicles (ZEVs, which includes both pure electric vehicles and hydrogen fuel cell vehicles) in preference to petrol or diesel vehicles in the borough. It is important to recognise that it is not the intention to increase the number of vehicles on our roads, but to ensure that a far higher proportion of vehicles on our highway network are zero emission. Together with improvements to cycling, walking and public transport this will help to realise our Climate Emergency aims.

4. In 2018 Government published ‘The Road to Zero’, which seeks to put the UK at the forefront of the design and manufacturing of ZEVs and affirms the Government’s commitment to end the sale of new petrol and diesel cars and vans by a set date. The deadline has since been brought forward to 2030 for pure petrol and diesel vehicles and 2035 for hybrid vehicles.

5. As a result, we know that the prevalence of ZEVs is set to continue to rise and that ZEVs will ultimately replace petrol and diesel vehicles.

6. The Authority has a leadership role to play and has already taken a number of steps such as introducing electric vehicles into its own fleet; securing funding for pedal-powered, electrically assisted e-cargobikes for use by local businesses; and working with partners to install modern Rapid chargepoints, which can charge an EV to 80% within 40 minutes, at several of the Authority’s public car parks.

7. Nevertheless, the Authority is not a mainstream fuel provider to the public or businesses. We therefore would not anticipate becoming the long-term default provider for EV chargepoints.

8. ZEVs and the charging infrastructure they require are relatively new and developing technologies. Whilst much of the focus is currently on electric vehicles, innovation and development is happening all the time across a range of alternative fuel sources. It will be important to be ready to quickly respond to future changes and hence this strategy and action plan is suitably flexible and responsive.

9. This strategy sets out the objectives and actions which we will implement to support and facilitate an inclusive move to ZEVs in preference to petrol or diesel, and help to deliver our challenging carbon net-zero commitments. The strategy will support the realisation of the aims in the North Tyneside Transport Strategy and the Our North Tyneside Plan.

Background information

10. The majority of vehicles in the borough run on either petrol or diesel, causing air pollution which can be harmful to health. ZEVs are more sustainable than petrol or diesel vehicles for many reasons:
    a. ZEVs release zero tailpipe emissions at street level, improving air quality in urban areas
    b. Emissions from electricity generation or hydrogen production usually take place away from street level where they have highest human health impacts
    c. Electric vehicles can be powered by electricity produced from sustainable energy sources. There is scope for the UK's electricity supply to decarbonise further, if coal- or gas-fired power generation is replaced by increased use of renewable energy and other low-carbon energy sources
    d. This means that, although battery production has some environmental implications, the lifetime carbon footprint of manufacturing, running and disposing of an electric vehicle or hydrogen fuel cell vehicle is lower than for a conventional fossil fuel vehicle
    e. ZEVs (or hybrid vehicles running in electric mode) are very quiet compared with petrol and diesel vehicles. This has benefits for residents living alongside busy roads, and has benefits for the natural environment from reduced vehicle-borne noise pollution.

11. All motor vehicles produce some emissions of local air pollutants, e.g. fine particulates from brake and tyre wear. As such, while ZEVs generate considerably less local air pollution than other vehicles, cycling and walking remain the cleanest ways to travel.

12. ZEVs can also be more affordable for residents and businesses as they are generally much cheaper to run than petrol or diesel vehicles, although the

vehicles themselves are still relatively expensive to acquire. However, the price of EV batteries is likely to continue its decreasing trend as manufacturing techniques improve and, as one of the main costs at present for ZEVs is in the batteries, this will in time contribute to greater affordability and mass market appeal.

13. Charging a vehicle at home and overnight is convenient, can be more affordable, and also has the lowest carbon footprint, as it uses electricity at an off-peak time when reduced demand on the grid allows greater use of lower-carbon electricity generation. Government grants are available for both householders and businesses to install EV chargepoints.

14. Advances in EV chargepoint design, which allow the possibility of 'off-grid' chargepoints using a solar canopy, also help to make it possible for commercial providers to install chargepoints in a wider range of locations.

15. In addition, it should be recognised that e-bikes (pedal-powered, electrically assisted cycles) and e-cargobikes (incorporating a trailer for carrying goods) are increasingly viable alternatives to car or van use for a range of journeys, particularly at local level.

Challenges

16. The development of new ZEV infrastructure is largely dependent on actions taken by the commercial sector, e.g. the motor industry and retailers, and by individual businesses and residents. This strategy therefore sets out the objectives and actions to enable the Authority to take a leadership role. The Authority will implement measures, with a focus on assisting and facilitating an inclusive move to ZEVs in preference to petrol or diesel. Together with wider actions taken by the commercial sector and individuals, this will help to deliver our challenging carbon reduction commitments for the borough.

17. Many car users cover limited mileage during the week, and battery technology is improving, resulting in EVs being available which can cover a greater range than was previously the case. As such, EV users who do not have a drive or other private off-street parking will often only need to charge their EV relatively infrequently, e.g. every 4-5 days.

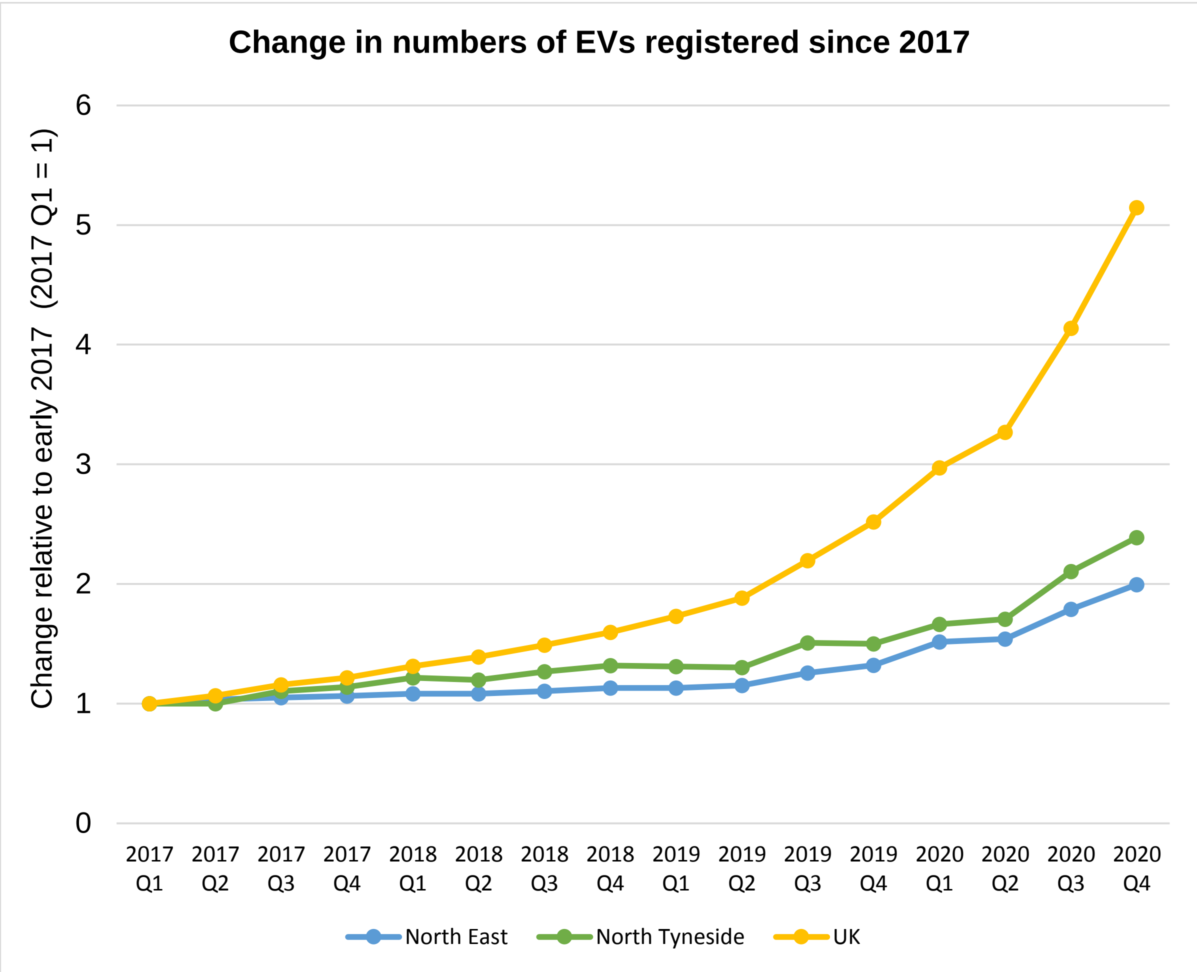
18. Publicly accessible electric vehicle chargepoints are available at a wide and growing range of destinations throughout the borough such as shopping centres, business parks and Metro stations, and are set to become rapidly more widespread as the commercial provision of chargepoints increases to reflect growing demand.

19. Nonetheless, EV users report a desire for more extensive, and faster, publicly available charging to overcome 'range anxiety' (lack of confidence that an EV

can cover a certain length of journey) and ensure people are confident they can also use EVs for longer journeys: this is particularly important for the visitor economy.

20. There are also opportunities to work with partners to upgrade some of the older existing EV chargepoints within the borough and to introduce EV chargepoint provision on sites within the Authority's control, such as our public car parks.

21. More broadly, new registrations of ZEVs are rapidly rising (see graph below). The North East Transport Plan notes that in December 2019, 0.34% of vehicles licensed in the North East were classed as ultra low-emission, a figure which is set to increase rapidly as take-up of ZEVs grows. If rising demand is not matched by suitably convenient supply, this could discourage some users or businesses from adopting ZEV technology.



22. To be convenient and minimise range anxiety, it is important for the network of publicly available charging infrastructure to be not only reasonably widespread but also reliable and well maintained, so that users are confident

that a chargepoint will function when they need it. It is also an advantage for users if chargepoints accept card payments or use a standard smartphone app for payment, thereby avoiding the need to download numerous apps from different chargepoint operators.

23. There are distinct challenges for taxi, bus and freight operators in adopting ZEV technologies. The Authority has amended its Taxi and Private Hire Licensing Policy to include a vehicle age criterion, which will help to encourage the take-up of hybrid vehicles and ZEVs in preference to petrol and diesel. Some fully electric buses are already operating in Tyne and Wear and the Authority, with partners, has been involved in bidding for funding for additional electric buses. The Government has consulted on plans to set a date to end the sale of new non zero-emission heavy goods vehicles (HGVs).

What we will do

24. We will introduce more ZEVs into our own fleet, taking into consideration external advice such as the independent review recently undertaken by the Energy Saving Trust, and, as the technology develops and appropriate models become available, we will introduce ZEVs for specific activities such as refuse collection vehicles.

25. We will encourage people to install EV chargepoints at home, and businesses to install chargepoints at their premises, whenever possible. Government grants are available for both householders and businesses who have private off-street parking to install EV chargepoints.

26. We will ensure that EV charging provision is included as part of new developments, whenever appropriate, so that ZEV use can be a convenient option for residents or businesses from the moment they move in.

27. We will install more EV chargepoints at our public car parks and leisure centre car parks across the borough, to increase the opportunities for residents, visitors and business users to charge their vehicles when out and about in North Tyneside. In addition, making provision for disabled access at chargepoints will be a design consideration when these are installed or renewed.

28. We will seek opportunities to install EV charging provision at our offices, providing charging facilities for staff use and our fleet vehicles.

29. In areas of terraced streets where houses do not have private off-street parking, if the commercial market does not provide a solution, we will work with commercial operators to seek to introduce ‘hub’ arrangements. This will prioritise off-street charging hubs, e.g. at car parks or public buildings within

the local area, and similar solutions which avoid generating additional street clutter or maintenance and management challenges.

30. We will work with third party providers as appropriate to maximise the number of locations available for EV charging, alongside any potential opportunities to offer refuelling facilities for hydrogen vehicles.

31. We will support the transition of public transport and commercial vehicles to ZEVs. This will include engaging with the taxi trade through established forums, and with freight operators in the region through the established North East Freight Partnership.

Our action plan

This section expands on the points above to set out a number of specific actions which we will undertake to deliver the aims of the strategy.

Leadership	Action 1:	Develop a phased implementation and replacement programme for our fleet vehicles, where technically practicable, and supporting infrastructure, leading up to the target year of 2030 and linked to the Authority's investment plan ➢ **We will proceed with a phased replacement programme for our fleet to introduce zero emission vehicles and supporting infrastructure**
	Action 2:	Require developers to provide EV charging, and associated measures such as ZEV car club provision as appropriate, as part of new developments ➢ **We will update the Transport and Highways Supplementary Planning Document, LDD12, by Summer 2022**
	Action 3:	Upgrade and expand the existing network of EV chargepoints in the Authority's car parks and premises and rationalise the arrangements for payment for chargepoint use. Where a suitable electricity grid connection can be obtained, we will: ➢ **seek to install EV charging points in our main leisure centre car parks and seek to expand our network at other Council sites** ➢ **seek to install EV charging points in our public car parks** ➢ **conduct a gap analysis during 2022, working with other partners, on where the provision of additional EV chargepoints could be most appropriate**

	Action 4:	In areas of terraced streets where houses do not have private off-street parking, if the commercial market does not provide a solution, we will work with commercial operators to seek to introduce 'hub' arrangements. This will prioritise off-street charging hubs, e.g. at car parks or public buildings within the local area, and similar solutions which avoid generating additional street clutter or maintenance and management challenges ➢ **We will review opportunities on an ongoing basis.**
	Action 5:	Incorporate the aims of this strategy into other local policies and strategies ➢ **We will do this as and when these documents are updated**
Influencing	Action 6:	Promote and encourage the uptake of EV chargepoints by householders and businesses ➢ **We will develop and implement a communications plan involving our partners**
	Action 7:	Working with partner organisations, large employers and destinations such as retail sites, e.g. through the Go Smarter in North Tyneside programme, advocate the uptake of opportunities to provide additional EV chargepoints for use of staff and the public, and associated measures such as ZEV car club provision. Seek to ensure that every part of the borough is within two miles of an EV chargepoint ➢ **We will work with Nexus on opportunities to expand their network of EV chargepoints at the borough's public transport interchanges, where a suitable electricity grid connection can be obtained** ➢ **We will put in place and publicise further initiatives which support ZEV use**
	Action 8:	Encourage an increase in the uptake of zero emission buses and taxis (hackney carriages and private hire vehicles)[1], working with regional partners, including exploring any opportunities to provide hydrogen refuelling facilities ➢ **We will work with the sector on opportunities to increase ZEVs as a proportion of the taxi and bus fleet in the borough**

Progress against the targets above will be summarised in the report to Cabinet as part of the North Tyneside Transport Strategy Annual Report.

[1] See also https://my.northtyneside.gov.uk/category/931/hackney-carriage-and-private-hire-licensing-policy

Annex 1 – Policy Background

The North Tyneside Transport Strategy provides the overall strategic context for transport in the borough, as described in section 1 of the main report.

This is supplemented by the following policies and strategies related to transport:

North Tyneside Local Development Document LDD12 Transport and Highways supplementary planning document – adopted May 2017

This document sets out in detail the policies and procedures adopted by the Authority with regards to the traffic and transport impacts of new development. It focuses on the need to ensure sustainability in all new development and improved connectivity to local centres, schools and employment sites through new and enhanced infrastructure.

The document states that all new residential development which includes garages and car parking spaces should make provision for access to an electrical facility suitable for charging electric vehicles; and that, for developments other than residential developments, electric vehicle charging points will be required, by negotiation taking account of the scale of the development.

North Tyneside Parking Strategy – adopted February 2018

The North Tyneside Parking Strategy sets out the Authority's approach to managing parking both in its own car parks and on the highway network.

It includes objectives to provide chargepoints for electric vehicles in the Authority's car parks, and more broadly to facilitate dedicated provision for electric vehicles and 'car clubs' (locally-based car hire which can provide an alternative to car ownership).

Highway Asset Management Plan (HAMP) – adopted in September 2017

The HAMP sets out the Authority's strategic approach to highway and infrastructure maintenance.

When designing new infrastructure for zero emission vehicles (ZEVs), future maintenance liability is one of the relevant considerations.

North Tyneside Cycling Strategy – adopted March 2018

The Cycling Strategy supports and encourages the growth of everyday cycling in the borough: this includes partnership working on projects which get more people cycling, and improving cycling infrastructure and information. The strategy is supported by the North Tyneside Cycling Design Guide which provides design guidance to make sure that cycling is considered as part of all highway and regeneration projects and any new infrastructure is in line with best and emerging good practice.

The Cycling Strategy states that designs will take account of the many variations to a standard two-wheeled bike, such as ‘cargo bikes’ which carry light goods. It also notes that any type of cycle may be an e-bike, where the rider operates the pedals as normal and an electric motor provides additional power. E-bikes and cargo bikes can offer a viable alternative to a motor vehicle for numerous journeys and can offer further reductions in pollution compared with ZEVs, as they require less energy to manufacture and can generate fewer particulates from brake and tyre wear.

North Tyneside Travel Safety Strategy – adopted March 2018

The Strategy sets out how the Council intends to further improve road safety by reviewing and improving infrastructure, increasing awareness and education of road safety matters and working in partnership to address travel safety concerns on the Authority’s transport network.

One of the actions in the strategy states that we will work with partners to promote safe travel more widely in the community, including raising awareness of relevant activities and events, e.g. the ‘pop-up’ cycle hubs provided at major business parks. Such activities and events could also involve encouraging the take-up of ZEVs in preference to petrol or diesel vehicles.

North Tyneside Network Management Plan – adopted October 2018

The Network Management Plan sets out how the Authority intends to “manage the peaks” in highway operations using a corridor-based approach to manage demand on the network through better use of technology, promoting behavioural change and investing in infrastructure improvements when it is appropriate to do so.

The document notes that the challenge of the Network Management Plan is to balance competing road user demands whilst also improving air quality and reducing carbon emissions. It also seeks to enable and encourage informed choice and the wider use of active and sustainable ways to travel.

North Tyneside Home to School/College Transport Policy – refreshed 2020

Home to school/college transport involves partnership working between the Authority, transport and education providers and parents and carers. The Authority also has a duty to ensure, in certain cases, that suitable travel arrangements are made to facilitate children’s attendance at relevant educational establishments.

The policy sets out how the Authority will implement an approach to reflect these considerations and provides guidelines in a clear and comprehensive manner on the procedures which are followed.

North Tyneside Hackney Carriage and Private Hire Licensing Policy – adopted February 2020

The policy sets out how the Authority will discharge its responsibility for the licensing of hackney carriage and private hire vehicles, their drivers, and in the case of private hire vehicles their operators, within the borough.

Among its objectives are to ensure that vehicles are safe, clean, reliable and accessible to meet the varying needs of the public; to provide confidence in the system for assessing whether a person is 'fit and proper' to drive a hackney carriage or private hire vehicle; and to encourage the uptake of zero and ultra-low emission vehicles.

Equality Impact Assessment (EIA)

Before completing this form, please refer to the supporting guidance documents which can be found on the equality page of the intranet. The page also provides the name of your Corporate Equality Group member should you need any additional advice.

Equality Impact Assessments (EIAs) are a planning tool that enable us to build equality into mainstream processes by helping us to:

- consider the equality implications of our policies (this includes criteria, practices, functions or services - essentially everything we do) on different groups of employees, service users, residents, contractors and visitors
- identify the actions we need to take to improve outcomes for people who experience discrimination and disadvantage
- fulfil our commitment to public service.

The level of detail included in each EIA should be proportionate to the scale and significance of its potential impact on the people with protected characteristics.

This assessment may be published on the Authority's website as part of a Council or Cabinet Report. It can also be requested under the Freedom of Information Act 2000 and can be used as evidence in complaint or legal proceedings.

Proposal details

1. Name of the policy or process being assessed	North Tyneside Zero Emission Vehicles (ZEV) Strategy	
2. Version of this EIA (e.g. a new EIA = 1)	1	
3. Date EIA created	29 October 2021	
	Name	Service or organisation
4. Principal author of this EIA	John Cram	Environment, Housing and Leisure
5. Others involved in writing this EIA *EIAs should not be completed by a sole author. Think about key stakeholders and others who can support the process and bring different ideas and perspectives to the discussion.*	Colin MacDonald Andrew Flynn	Environment, Housing and Leisure

6. What is the purpose of your proposal, who should it benefit and what outcomes should be achieved?

In October 2021, Cabinet approved the revised North Tyneside Transport Strategy. The Transport Strategy explains our transport vision and is used to: shape our future decisions, influence sub-regional, regional and national issues, support future funding bids for transport-related projects or initiatives and support the implementation of the North Tyneside Local Plan.

The revised Transport Strategy contained a commitment to update, where appropriate, the specific strategies and plans which fit within the context of the Transport Strategy. This included developing a new North Tyneside Zero Emission Vehicles (ZEV) Strategy, which is the subject of this EIA.

The outcomes to be achieved by the ZEV Strategy are reflected in the Transport Strategy's five principles, which are: reduce carbon emissions from transport; improve health outcomes; support inclusive economic growth; improve connectivity; and manage demand and enable smart choices for all. The ZEV Strategy seeks to benefit all users of the transport networks in the borough, including those who may benefit indirectly through decreases in local air pollution and noise associated with a wider shift from petrol or diesel vehicles to ZEVs.

An Annual Report on the Transport Strategy is presented to Cabinet, usually in June, to update on progress against the five principles above.

7. Does this proposal contribute to the achievement of the Authority's public sector equality duty? Will your proposal:

Write your answers in the table

Aim	**Answer:** Yes, No, or N/A	**If yes, how?**
Eliminate unlawful discrimination, victimisation and harassment	No	
Advance equality of opportunity between people who share a protected characteristic and those who do not	Yes	Elements of the ZEV Strategy will contribute to advancing equality of opportunity between people with a disability and those who do not have a disability. For example, for people with a disability who travel more often in a motor vehicle for their journeys, the proposal will help to ensure that they continue to be able to travel as petrol and diesel vehicles are replaced by ZEVs. In addition, making provision for disabled access at chargepoints will be a design consideration when these are installed or renewed.
Foster good relations between people who share a protected characteristic and those who do not	No	

Evidence Gathering and Engagement

8. What evidence has been used for this assessment?

In developing the ZEV Strategy we have used evidence from a range of sources, including national statistics and regional and local data, details of which are set out in the Transport Strategy Annual Report which is presented to Cabinet each year, usually in June. We have also used evidence from various forms of ongoing engagement activities as described in section 9.b.

9.a Have you carried out any engagement in relation to this proposal?

	√
Yes - please complete 9b	✓
No	

9.b Engagement activity undertaken	With	When
In developing the ZEV Strategy we have taken into consideration engagement such as: the views of residents expressed in successive Residents' Surveys; feedback received from enquiries made to the Authority, including social media, and enquiries made by Ward Councillors; consultation responses made during the development of the North East Transport Plan; the Our North Tyneside Plan; views expressed at the North Tyneside Transport Forum; and views of the Young Mayor, the Member of the Youth Parliament and Youth Councillors.	See box to left	On an ongoing basis

9. Is there any information you don't have?

	√	Please explain why this information is not currently available
Yes - please list in section A of the action plan at Q13		
No	✓	

Analysis by protected characteristic

	A	B	C
11. Protected characteristic	**Does this proposal and how it will be implemented have the <u>potential</u> to impact on people with this characteristic?** (Answer – Yes or No)	**If 'Yes' would the <u>potential</u> impact be positive or negative?** (Answer – positive or negative)	**Please describe the <u>potential</u> impact and the evidence (including that given in Q8 and 9) you have used**
All Characteristics	No		
Sex – male or female	No		
Pregnancy and maternity – largely relates to employment, but also to some aspects of service delivery e.g. for breastfeeding women	No		

Age – people of different ages, including young and old	Yes	Positive	The ZEV Strategy is anticipated to have a positive impact on this characteristic. As people of certain age groups may be more likely to travel in a motor vehicle for many of their journeys, the proposals will help to ensure that they continue to be able to travel as petrol and diesel vehicles are replaced by ZEVs.
Disability – including those with visual, audio (BSL speakers and hard of hearing), mobility, physical, mental health issues, learning, multiple and unseen disabilities	Yes	Positive	The ZEV Strategy is anticipated to have a positive impact on this characteristic. As people with a disability may be more likely to travel in a motor vehicle for many of their journeys, the proposals will help to ensure that they continue to be able to travel as petrol and diesel vehicles are replaced by ZEVs.
Gender reassignment - includes trans, non-binary and those people who do not identify with or reject gender labels	No		
Race – includes a person's nationality, colour, language, culture and geographic origin	No		
Religion or belief – includes those with no religion or belief	No		
Sexual orientation – includes gay, lesbian, bisexual and straight people	No		

Marriage and civil partnership status - not single, co-habiting, widowed or divorced– only relates to eliminating unlawful discrimination in employment	No		
Intersectionality - will have an impact due to a combination of two or more of these characteristics	No		

If you have answered **'Yes'** anywhere in column A please complete the rest of the form, ensuring that all identified negative impacts are addressed in either Q12 'negative impacts that cannot be removed' or Q13 'Action Plan' below

If you have answered **'No'** in all rows in column A please provide the rationale and evidence in the all characteristics box in column C and go to Q14 'Outcome of EIA'.

12.a Can any of the negative impacts identified in Q11 not be removed or reduced?

Yes - please list them in the table below and explain why	
No	✓

12.b Potential negative impact	What alternative options, if any, were considered?	Explanation of why the impact cannot be removed or reduced or the alternative option pursued.
-	-	-

Action Planning (you do not need to complete the grey cells within the plan)

13. Action Plan	Impact: (Answer remove or reduce)	Responsible officer (Name and service)	Target completion date
Section A: Actions to gather evidence or information to improve NTC's understanding of the potential impacts on people with protected characteristics and how best to respond to them (please explain below)		John Cram, Environment, Housing and Leisure	June 2022
Evidence and information is gathered as part of the preparation of the Transport Strategy Annual Report. This will also inform the monitoring and review of the implementation of the Transport Strategy and its subsidiary strategies.			
Section B: Actions already in place to remove or reduce potential negative impacts (please explain below)	-	-	
Not applicable			
Section C: Actions that will be taken to remove or reduce potential negative impacts (please explain below)	-	-	-
Not applicable			
Section D: Actions that will be taken to make the most of any potential positive impact (please explain below)		John Cram, Environment, Housing and Leisure	Ongoing
Evidence and information which is gathered as part of the preparation of the Transport Strategy Annual Report can be used to identify opportunities to make the most of any potential positive impact as part of the development of transport plans and programmes.			

Section E: Actions that will be taken to monitor the equality impact of this proposal once it is implemented (please explain below)		John Cram, Environment, Housing and Leisure	May 2022
Monitoring of the equality impact of the ZEV Strategy will be carried out as part of the preparation of the Transport Strategy Annual Report, which involves the gathering and analysis of relevant data and applying this to the future development of transport plans and programmes.			
Section F: Review of EIA to be completed		John Cram, Environment, Housing and Leisure	Oct 2025

14. Outcome of EIA

Based on the conclusions from this assessment:

Outcome of EIA	**Tick relevant box**	**Please explain and evidence why you have reached this conclusion:**
The proposal is robust, no major change is required.	✓	Identified potential impacts are positive
Continue but with amendments		
Not to be pursued		

Now send this document to the Corporate Equality Group member for your service for clearance.

Quality assurance and approval

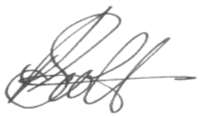
Questions 15-18 are only for completion by the Corporate Equality Group Member for your service

15. Do you agree or disagree with this assessment?	Agree	✓	Disagree	
16. If disagree, please explain:				
17. Name of Corporate Equality Group Member:	Steve Bishop			
18. Date:	29/10/21			

Conclusion:

- If the assessment is agreed, please send the document to the Head of Service for sign off.
- If you disagree return to author for reconsideration.

Questions 19-22 are only for completion by the Head of Service

19. Do you agree or disagree with this assessment?	Agree	✓	Disagree	
20. If disagree, please explain:				
21. Director of Service:				
22. Date:	29 October 2021			

Please return the document to the Author and Corporate Equality Group Member.

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North Tyneside Council
Report to Cabinet
Date: 29 November 2021

Title: CCTV Policy

Portfolio:	**Cabinet Member responsible for Community Safety and Public Protection**	**Cabinet Member:**	**Councillor Carole Burdis**

Report from Service Area:	**Law and Governance**	
Responsible Officer:	**Bryn Roberts, Director of Law and Governance**	**Tel: (0191) 643 5339**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

The Authority operates closed-circuit television (CCTV) systems which are used in Authority buildings, on its refuse collection vehicles, and in some public spaces within the Borough. In addition to its own systems, the Authority monitors CCTV deployed by partner organisations such as schools, Northumbria Police and Nexus under service level agreements or contract arrangements.

As well as preventing and detecting crime, having visible CCTV systems in public areas also enhances feelings of safety for residents and communities.

CCTV system installations are required to be operated in compliance with extensive statutory requirements and associated guidance which provides safeguards in their use and ensures that the need for public protection is balanced against the need to respect the right to privacy for individuals.

This report presents the annual review of the CCTV policy for approval by Cabinet. Although not a statutory requirement, this policy provides a framework to centrally co-ordinate the use of the Authority's CCTV systems therefore giving additional assurance that the relevant compliance standards are being met.

1.2 Recommendation:

It is recommended that Cabinet:

1. approves the Authority's revised draft policy on CCTV attached at Appendix 1;

2. delegate authority to the Director of Law and Governance, in consultation with the Elected Mayor as appropriate, to implement the policy and all ancillary matters relating to it; and
3. receives an update report every 12 months to ensure proper oversight of the policy.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 24 September 2021.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2020-2024 Our North Tyneside Plan:

Our places will:

- Provide a clean, green, healthy, attractive and safe environment.

1.5 Information:

1.5.1 Introduction

The Authority operates a number of closed-circuit television (CCTV) systems which are located in the Authority's buildings, on its refuse collection vehicles as well as some public spaces. It also monitors systems deployed by other parties such as schools, Northumbria Police and Nexus under service level agreements or contract arrangements.

These CCTV system installations are operated in line with extensive statutory requirements and associated guidance to ensure that the need for public protection is balanced against the need to respect the right of privacy for individuals.

Although not a statutory requirement, the Authority has developed a CCTV policy which is attached to Appendix 1 of this report. The proposal to introduce this corporate policy; which will govern the use of its CCTV systems; is aimed at adding further rigour to the manner in which they are managed and to provide assurance of compliance with relevant legislation and the accompanying statutory codes of practice.

It is important to note however that this policy only covers the use of CCTV systems that are deployed overtly. The Authority does not routinely use CCTV systems covertly. Such use is strictly controlled by surveillance legislation (the Regulation of Investigatory Powers Act 2000) and is subject to a specific policy which is annually approved by Cabinet and is regularly reviewed.

1.5.2 Community Safety

As well as preventing and detecting crime having visible CCTV systems in public spaces also enhances feelings of safety for residents and communities.

Ensuring our places are safe is a priority of the Elected Mayor. This is also a priority of the Safer North Tyneside community safety partnership where, promoting feelings of safety amongst our communities is one of the key aims of its Community Safety Strategy 2019-2024.

The Authority has upgraded its static public space CCTV system and opened a new control room. Also, a new mobile CCTV vehicle has been introduced along with more CCTV cameras which are capable of being redeployed to tackle identified hotspots for anti-social behaviour and environmental crime.

Officers also have scope to use Body Worn Video (BWV) equipment which is a portable system that provides an audio and visual record of enforcement activities undertaken by the wearer. The use of BWV can provide a number of benefits which include a deterrent to acts of aggression or verbal and physical abuse toward employees and providing evidence to support Police and Authority investigations.

This improved CCTV capability is playing a vital role in assisting the additional officer capacity which includes new community protection wardens and an environmental rapid response team.

1.5.3 Legislative Context

CCTV systems are surveillance systems, and their use is subject to a range of legislative controls which enable organisations to use them lawfully. That legislation includes:

- The Data Protection Act 2018
- The General Data Protection Regulation 2018
- The Human Rights Act 1998
- The Protection of Freedoms Act 2012
- The Criminal Procedure and Investigations Act 1996
- The Regulation of Investigatory Powers Act 2000

The Protection of Freedoms Act 2012 introduced the provision to appoint a Surveillance Camera Commissioner (SCC) with the power to develop and introduce a Code of Practice focussing on the use of surveillance camera systems. The role of the SCC is to encourage compliance with the Code of Practice, review how the Code is working on the ground and provide advice to Ministers on whether or not future amendments to the Code are required. At present the SCC has no enforcement or inspection powers and works with ‘relevant authorities’ to make them aware of their duty to have regard to the Code. The Authority is classed as a “relevant authority”.

The SCC published the Surveillance Camera Code of Practice in June 2013 which set out new guidelines for CCTV systems and automatic number plate recognition (ANPR) in the form of ‘12 Guiding Principles’.

1.5.4 Corporate Responsibilities

The SCC requested that each relevant authority nominate a Senior Responsible Officer (SRO). The role of SRO is undertaken by the Authority’s Data Protection Officer.

Guidance from the SCC states that the SRO should ensure that appropriate procedures and processes are in place and that these are monitored and adhered to. Implementation of the CCTV policy that has been developed; although not a statutory requirement; is an important step in ensuring compliance and providing central oversight of that.

The SRO is responsible for maintaining an Asset Register of CCTV equipment and where these assets are deployed.

Each Director of Service is responsible for ensuring effective and legally compliant systems and procedures are in place within their service areas.

Each service area will have a nominated Responsible Officer for each CCTV system.

All employees connected with surveillance and handling of evidence are responsible for ensuring that they act only in accordance with their level of responsibility and training and in accordance with this policy and associated documents. To assist in this an 'Employee: 'Code Assessment Pack', has been prepared. The pack provides key information for Officers and directs them towards key sources of detailed guidance. It will be kept under review and revised as necessary to ensure it reflects current procedures and best practice.

All staff involved in the deployment and use of CCTV systems will receive appropriate training.

1.5.5 Compliance and Oversight

The CCTV policy will be reviewed annually and brought back to Cabinet for approval.

The Authority will also consider internal reports on the use of CCTV to ensure that it is being used consistently in compliance with the policy and that it remains fit for purpose.

1.5.6 Next Steps

Should Cabinet approve the CCTV policy it will then be promoted across the Authority under the direction of the SRO. Responsible Officers who have been designated as having responsibility for CCTV systems they operate and will have a key role to play in making the necessary adjustments to ensure compliance with it.

The policy will be published on the Authority's website and internally on the intranet. A programme of training for relevant managers and officers who use CCTV systems will also be undertaken.

The opportunity to apply to the SCC's third-party certification process will also be explored. This is a scheme that enables relevant authorities to certify their CCTV systems against the Surveillance Camera Code of Practice. This will enable the Authority to use the SCC's certification mark and provide further assurance of the Authority's compliance standards.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1
Approve the Authority's policy on CCTV attached as Appendix 1 and grant delegated authority to the Head of Law and Governance to implement the policy.

Option 2
Request Officers to revise the draft policy and/or provide additional information regarding any matters contained in this report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended.

Although not a statutory requirement, this policy provides a framework to centrally co-ordinate the use of the Authority's CCTV systems therefore giving additional assurance that the relevant compliance standards are being met.

1.8 Appendices:

Appendix 1: Draft CCTV Policy

1.9 Contact officers:

Wendy Rochester, Information Governance Manager, Law and Governance, tel. (0191) 643 5620
Emma Phillips, Team Leader Information Governance, Law and Governance, tel. (0191) 643 8785
Colin MacDonald, Senior Manager, Technical and Regulatory Services, tel. (0191) 643 6620
Richie Mitchell, Community Protection Manager, tel. (0191) 643 7710
David Dunford, Senior Business Partner – Strategic Finance (0191 643 7027)

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) Surveillance camera code of practice, Home Office (July 2013)

(2) In the picture: A data protection code of practice for surveillance cameras and personal information, Information Commissioner's Office (June 2017)

(3) Covert Surveillance Policy (RIPA), North Tyneside Council

(4) Introducing a Single Point of Contact, SCC March 2016

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The provisions of the policy can be implemented within the existing resources of the Law and Governance Service.

2.2 Legal

The legislative controls which enable the lawful use of surveillance systems are explained in Section 1.5.3 of this report.

Introduction of the policy is aimed at providing further assurance that the Authority continues to comply with its legal obligations including the statutory Surveillance Camera Code of Practice and guidance issued by the Office of the Surveillance Camera Commissioner.

This is an Executive function in accordance with the provisions of the Local Government Act 2000 and the Regulations made under that Act. This matter is one that therefore falls to Cabinet to consider and determine.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The policy has been developed in consultation with the Environment, Housing and Leisure management team which includes Security who operate the CCTV control room. It has also been considered by the Cabinet Member for Community Safety and Public Protection. Comments received have been incorporated.

2.3.2 External Consultation/Engagement

There is little opportunity for external consultation and engagement to be able to shape the policy. All relevant legislation, the Surveillance Camera Code of Practice, the SCC's self-assessment tool and other available guidance has been used to shape the framework and content of the policy.

2.4 Human rights

. The proposed policy as described in the report aims to provide further assurance that the Authority is compliant with its legal obligations and therefore does not unlawfully interfere with an individuals' qualified right to respect for their private and family life under Article 8 of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no equality and diversity implications directly arising from this report.

2.6 Risk management

Implementation of the policy aims to further manage the risks of non-compliance with the statutory obligations of operating CCTV systems. Risks associated with the Authority's use of CCTV systems is managed through the established corporate risk management arrangements.

2.7 Crime and disorder

The primary use of CCTV systems within the Authority is to prevent and detect crime. It is known that residents are becoming increasingly concerned about anti-social behaviour and; in particular; environmental crime in the borough. This is outlined in Section 1.5.2 of the report.

Introduction of the policy will provide further assurance that the Authority continues to comply with its legal obligations and in so doing be able to lawfully use evidence recorded to support prosecution of offenders where a crime has been committed.

2.8 Environment and sustainability

The report outlines at Section 1.5.2 that CCTV systems are increasingly being deployed to tackle known hotspots for environmental crime. This is playing a vital role in improving and protecting the environment across the borough and assists the additional officer capacity that has been introduced.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Assistant Chief Executive	X

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Appendix 1

CCTV Policy

North Tyneside Council

Contents

Definitions

"**Authority**" means the Local Authority, North Tyneside Council.

"**BWVs**" Body Worn Video or Camera device.

"**Camera**" means any device used as part of a CCTV system. This includes unmanned aerial vehicles (drones) and body worn camera devices.

"**CCTV**" means Closed Circuit Television.

"**CCTV System**" means any system of device used by the council to monitor an area including CCTV, cameras used on the highway, body worn camera devices or unmanned aerial vehicles.

"**Data Controller**" means a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are, or are to be, processed.

"**Data Processor**" means any person who processes the data on behalf of the data controller.

"**Data Protection Impact Assessment**" ("DPIA") is a process to help you identify and minimise the data protection risks. You must do a DPIA for processing that is likely to result in a high risk to individuals.

"**Image**" means any image captured by a BWV device.

"**Personal Data**" means any data which relate to a living individual who can be identified.

"**Special Category Data**" means personal data consisting of information as to;

- personal data revealing racial or ethnic origin;
- personal data revealing political opinions;
- personal data revealing religious or philosophical beliefs;
- personal data revealing trade union membership;
- genetic data;
- biometric data (where used for identification purposes);
- data concerning health;
- data concerning a person's sex life; and
- data concerning a person's sexual orientation.

"**Personal Data**" means any data which relate to a living individual who can be identified.

"**Special Category Data**" means personal data consisting of information as to;

• personal data revealing racial or ethnic origin;

• personal data revealing political opinions;

• personal data revealing religious or philosophical beliefs;

• personal data revealing trade union membership;

• genetic data;

• biometric data (where used for identification purposes);

• data concerning health;

• data concerning a person's sex life; and

• data concerning a person's sexual orientation.

Section One Introduction and Objectives

1.1 Introduction

The Authority operates several Closed-Circuit Television (CCTV) systems. The systems comprise of a number of cameras installed at locations across the borough. Not all cameras are pro-actively monitored, some are monitored on-site, some are monitored remotely, and some are monitored on behalf of a third party under contract or agreement. The Authority also uses mobile CCTV technology and there is scope to use Body Worn Video (BWV) equipment.

Body Worn Video

BWV technology is a body worn portable system that provides an audio and visual record of enforcement activities undertaken by the wearer.

The use of BWV can provide a number of benefits which include a deterrent to acts of aggression or verbal and physical abuse toward employees and providing evidence to support Police and Authority investigations. It will assist in reducing complaints against officers and act as a deterrent measure. It will be used in an overt manner by nominated officers who will give clear warnings to members of the public that video and/or audio recordings may be taken of them. It will also provide greater transparency and encourage professionalism from officers at all times.

1.2 Aims and Objectives of this Policy

The aim of this document is to set out the Authority's policy in relation to its use of overt CCTV surveillance. It covers three main areas:

- The legal context in which the Authority operates CCTV;
- What central controls will apply to the use of CCTV on behalf of the Authority; and

- What service areas and delivery partners need to do to comply with the relevant legislation.

1.3 Scope of the Policy

This policy, and its guidance, will apply to any CCTV camera being operated by, or on behalf of the Authority.

It should be noted that this policy only covers the Authority's use of *overt* CCTV systems. The use of any CCTV for covert activity is covered under the Authority's Surveillance Policy which details how the Authority complies with the provisions of the Regulation of Investigatory Powers Act (RIPA) 2000 and is therefore beyond the scope of this policy.

1.4 Compliance with the Policy

All services engaged in the use of CCTV systems (as set out in Definitions) must comply with this policy in order to comply with all relevant legislation.

A Code of Practice (COP) must be maintained for each CCTV system in use and made available for Audit. This must be signed off by the relevant Head of Service, reviewed at least annually and will be held with Information Governance. The COP is built around the 12 Guiding Principles document produced by the Surveillance Camera Commissioner (SCC).

1.5 Breaches of this Policy

Failure to adhere to this policy will place the Authority at significant risk and may also result in a breach of legislation. All breaches and near misses of this policy **must be reported** direct to the Information Governance Team (IGT).

Actions or neglect leading to a breach of this policy, or failure to report a breach will be investigated in line with current disciplinary procedures.

Section Two Legal Context

2.1 The Data Protection Act 2018 (DPA)

The Data Protection Act 2018 controls how personal information is used by organisations, businesses or the government. Everyone who is responsible for using data must comply with current legislation, this policy, and the supporting procedures that CCTV Operators follow.

2.2 Right to Privacy

The Authority recognises its obligations under the Data Protection Act 2018, Human Rights Act 1998 and in particular an individual's right to privacy. To fulfill these obligations, we will do the following:

- Where an overt CCTV system is in place, individuals will be made aware that they are about to enter an area where CCTV is active. This will be achieved by prominent signage placed at either the entrances to a building or the perimeter and approaches of a less well-defined area – a town center for example.

- The Authority's Responsible Officers for CCTV systems will ensure that signage complies with the relevant statutory guidance. An annual check of all signage is undertaken to ensure it is still visible and contains the correct information.

- For any CCTV camera, a full Privacy Impact Assessment must be in place. A clear review date and process must be identified within the assessment. Completed assessments should be submitted to the IGT for publication on the Authority website.

2.3 The Protection of Freedoms Act 2012 (POFA)

Since its introduction, the POFA has seen the introduction of a new surveillance camera code of practice published by the Home Office and the appointment by the Secretary of State of a SCC. The Information Commissioners Office (ICO) is tasked with the enforcement activity that regulates the application of this legislation. The Authority's overt CCTV Policy is written with the guidance document 'In the picture: A data protection code of practice for surveillance cameras and personal information' which was released in May 2015 and acts as a key guide to compliance with the POFA.

In addition to the guidance, there are also 12 guiding principles of practice which are set out in Appendix 1. These form the basis of the required Code of Practice for each CCTV system.

The Authority has nominated its Data Protection Officer as its Senior Responsible Officer to the SCC.

2.4 Guidance and Codes of Practice

This Policy has been written using the following legislation and guidance:

- The Data Protection Act 2018 (DPA)
- UK General Data Protection Regulation 2020 (GDPR)
- The Protection of Freedoms Act 2012 (POFA)
- Human Rights Act 1998 (HRA)
- 'In the picture: A data protection code of practice for surveillance cameras and personal information' May 2015
- 'Twelve Guiding Principles' guidance, the Surveillance Camera Commissioner.

There are some cameras which the Resilience and Security Team monitors on behalf of other parties. The Authority's clients include:

- Nexus
- Northumbria Police
- Schools in North Tyneside
- Capita (as part services it delivers on behalf of the Authority)
- Internal services (libraries, Customer First Centers etc.)

In these cases, the Private Security Industry Act 2001 also applies to operations.

Section Three Central Controls

3.1 Information Governance

The ICO has produced a Data Protection Code of Practice for CCTV to assist organisations who use CCTV to comply with the Data Protection legislation. The Code gives guidance in areas such as deciding when CCTV should be used, governance of the personal data a CCTV system may collect, how to use the equipment and organisational responsibilities. As with the SCC Code of Practice, the ICO Code has also been adopted, in full, by the Authority.

3.2 Designated Roles

The Authority acts as the Data Controller for the information captured by the cameras that it owns.

The Authority may act as Data Processor for the information captured by cameras operated on behalf of third parties. This will be detailed in existing service level agreements or contracts.

The Data Protection Officer acts as the SRO for the Authority in relation to the SCC. Where a CCTV system exists, a specific Code of Practice will name a Responsible Officer for each system.

3.3 Processing and Handling of Recorded Material

Access to the equipment used to download footage and record images will be strictly controlled to CCTV Operators. Operators need to know how to recognise any formal request and must know the procedure for dealing with that request for footage.

The DPA 2018 will apply at all times to the information recorded on CCTV as it relates to personal data. Subject access requests must be dealt with in line with standing procedures with the Information Governance Team. Any third-party requests for footage must be considered on a case by case basis and with advice from Information Governance.

Where law enforcement agencies make a request for footage, it must be clearly in connection with the investigation of a crime or suspected crime using a specific piece of legislation. Advice must be sought from Information Governance about releasing footage on receipt of a request.

A retention and disposal procedure detailing secure disposal of footage (usually automatic deletion) for each system will be clearly stated in the appropriate COP.

3.4 Secure Storage of Information

Each part of the Authority's CCTV system must be housed in a secure building or facility and access strictly controlled to authorised personnel only. Processes must be in place within each COP.

3.5 Operators

All Authority CCTV Operators must receive relevant training in the requirements of the Human Rights Act 1998, Data Protection Act 2018, and Regulation of Investigatory Powers Act 2000, this policy and the relevant COP. It is the responsibility of the individual Responsible Officers to ensure that training is provided and is both adequate and proportionate

Authority officers operating CCTV systems must be familiar with the requirements of information governance and should complete the Authority's Information Governance mandatory eLearning course as a minimum.

In most cases, Operators of public space surveillance systems must be licensed with the Security Industry Authority (SIA). Responsible Officers should seek advice directly form the SIA in relation to current licensing requirements.

Appendix 1 12 Guiding Principles

These are taken from the Surveillance Camera Code of Practice.

System operators should adopt the following 12 guiding principles:

1. Use of a surveillance camera system must always be for a specified purpose which is in pursuit of a legitimate aim and necessary to meet an identified pressing need.
2. The use of a surveillance camera system must take into account its effect on individuals and their privacy, with regular reviews to ensure its use remains justified.
3. There must be as much transparency in the use of a surveillance camera system as possible, including a published contact point for access to information and complaints.
4. There must be clear responsibility and accountability for all surveillance camera system activities including images and information collected, held and used.
5. Clear rules, policies and procedures must be in place before a surveillance camera system is used, and these must be communicated to all who need to comply with them.
6. No more images and information should be stored than that which is strictly required for the stated purpose of a surveillance camera system, and such images and information should be deleted once their purposes have been discharged.
7. Access to retained images and information should be restricted and there must be clearly defined rules on who can gain access and for what purpose such access is granted; the disclosure of images and information should only take place when it is necessary for such a purpose or for law enforcement purposes.

8. Surveillance camera system operators should consider any approved operational, technical and competency standards relevant to a system and its purpose and work to meet and maintain those standards.
9. Surveillance camera system images and information should be subject to appropriate security measures to safeguard against unauthorised access and use.
10. There should be effective review and audit mechanisms to ensure legal requirements, policies and standards are complied with in practice, and regular reports should be published.
11. When the use of a surveillance camera system is in pursuit of a legitimate aim, and there is a pressing need for its use, it should then be used in the most effective way to support public safety and law enforcement with the aim of processing images and information of evidential value.
12. Any information used to support a surveillance camera system which compares against a reference database for matching purposes should be accurate and kept up to date.

Appendix 2 Code of Practice Requirements

Principle	What you should include in the COP
Use of a surveillance camera system must always be for a specified purpose which is in pursuit of a legitimate aim and necessary to meet an identified pressing need.	A clearly stated objective for the use of a camera (or system) must be in place. A Data Protection Impact Assessment DPIA is the right place to record this information, but the objective should also be displayed on appropriate signage where possible. A system can have an overall COP but each individual camera must have a DPIA.
The use of a surveillance camera system must take into account its effect on individuals and their privacy, with regular reviews to ensure its use remains justified.	A DPIA must be carried out before placing a camera anywhere in the borough. Each camera should be evaluated against the impact on individuals' privacy. Details of any privacy screens or limitations on viewing zones in the operation of the equipment should be detailed here. A review date must be set for both permanent and mobile or re-deployable cameras. The Resilience, Security Services and Community Safety Team maintain a re-deployable camera process.
There must be as much transparency in the use of a surveillance camera system as possible, including a published contact point for access to information and complaints surveillance.	Each system must have appropriate signage with full contact details of the Responsible Officer (this should be role based, not named individuals in terms of public signs). The DPIA must be published on the Authority website to aid transparency.
There must be clear responsibility and accountability for all surveillance camera system activities including images and information collected, held and used.	The Data Protection Officer is the Senior Responsible Officer for the Surveillance Camera Commissioner. Each CCTV system should also have a Responsible Officer who will be responsible for completing the COP and DPIA's.

Clear rules, policies and procedures must be in place before a surveillance camera system is used, and these must be communicated to all who need to comply with them.	These should clearly demonstrate a reasonable level of control over: who will use it, how they will use it, how they will be managed and how their access and what they are viewing will be monitored, how complaints and access requests will be dealt with, how to report faults, what the maintenance arrangements are for the equipment,
No more images and information should be stored than that which is strictly required for the stated purpose of a camera system, and such images and information should be deleted once their purposes have been discharged	The COP must detail a retention policy for any footage recorded, details of how footage will be securely destroyed, how any downloaded footage will be stored, handled, transferred (where necessary) and recorded.
Access to retained images and information should be restricted and there must be clearly defined rules on who can gain access and for what purpose such access is granted; the disclosure of images and information should only take place when it is necessary for such a purpose or for law enforcement purposes.	Who will have access to footage? Who can view footage? Who makes decisions? How will advice be sought from Information Governance? How and where will records of these be held? This should be cross referenced with current Information Governance procedures. A record of any disclosures, the reasons, the method of transfer and a signed acceptance by the receiving party should also be included in the COP.
Surveillance camera system operators should consider any approved operational, technical and competency standards relevant to a system and its purpose and work to meet and maintain those standards.	List all that apply to your system and operators, including whether operators need to be licensed with the SIA or whether any exemptions apply.
Surveillance camera system images and information should be subject to appropriate security measures to safeguard against unauthorised access and use.	Detail how you will ensure this and restrict access. Licensing considerations must also be a factor.
There should be effective review and audit mechanisms to ensure legal requirements, policies and standards are complied with in practice, and regular reports should be published.	The COP's are all subject to internal audit checks and inspection by the Information Governance Manager and SCC.
When the use of a surveillance camera system is in pursuit of a legitimate aim, and there is a pressing need for its use, it should then be used in the most effective way to support public safety and	Are the images of good evidence quality? Has the equipment been purchased through the third-party certification scheme?

law enforcement with the aim of processing images and information of evidential value.	
Any information used to support a surveillance camera system which compares against a reference database for matching purposes should be accurate and kept up to date.	Not applicable – relates to Automatic Number Plate Recognition and Facial recognition software which are not in the scope of this policy.

North Tyneside Council
Report to Cabinet
29 November 2021

Title: Annual Review of Council Policy on Covert Surveillance

Portfolio(s):	**Cabinet Member responsible for Community Safety and Public Protection**	**Cabinet Member(s):**	**Councillor Carole Burdis**

Report from Service Area	**Law and Governance**	
Responsible Officer:	**Bryn Roberts – Director of Law and Governance**	**(Tel: 0191 643 5339)**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

This report seeks Cabinet's approval of an updated Covert Surveillance Policy. In accordance with the Statutory Codes of Practice applying to the Regulation of Investigatory Powers Act 2000 (RIPA) the Authority is required to review its use of RIPA and set the general surveillance policy at least annually. The report also explains that there have been no RIPA authorisations granted in the last year.

A copy of the draft Policy is attached at Appendix 1. No amendments have been made to the draft policy from last year's policy as it remains fit for purpose.

1.2 Recommendation(s):

It is recommended that Cabinet:

1. approve the Authority's draft Policy on Covert Surveillance (attached at Appendix 1);

1.3 Forward plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 24 September 2021.

1.4 Council plan and policy framework

This report relates to the following priorities in the Our North Tyneside Plan:

Our people will:

- Be cared for, protected and supported if they become vulnerable including if they become homeless

1.5 Information:

1.5.1 Introduction

The Authority's current Surveillance Policy was approved by Cabinet in November 2020 and is subject to annual review. A draft policy is attached at Appendix 1. The draft Policy has been considered by the Regulation and Review Committee and has been referred to Cabinet for further consideration and, if appropriate, approval.

The aims of the Authority's Policy are to:

- Set out the Authority's arrangements for complying with RIPA; the relevant Codes of Practice and guidance issued by the Home Office; and guidance from the Investigatory Powers Commissioner's Office (IPCO);
- Give effect to the rights of citizens to respect for their private and family lives (pursuant to the Human Rights Act 1998); and
- Protect the Authority from legal challenge when undertaking surveillance.

1.5.2 The RIPA Shield

The Regulation of Investigatory Powers Act 2000 (RIPA) puts covert surveillance on a statutory basis. RIPA enables certain public authorities, including this Authority, to carry out surveillance operations with statutory protection from legal challenge. It is often referred to as the "RIPA shield".

Three covert investigatory techniques are available to local authorities under RIPA:

i. the acquisition and disclosure of communications data such as telephone billing information or subscriber details e.g., to tackle rogue traders;
ii. directed surveillance - covert surveillance of individuals in public places e.g. to tackle criminal activity arising from anti-social behaviour; and
iii. covert human intelligence sources (CHIS) such as the deployment of undercover officers.

The RIPA provisions may only be used to authorise surveillance activities in order to detect and prevent serious crime and any authorisation is subject to a requirement to seek authorisation from an 'Authorising Officer' and to obtaining judicial approval from a Justice of the Peace before any surveillance is undertaken. The Authorising Officers within the Authority are:

Paul Hanson – Chief Executive; and
Colin MacDonald – Senior Manager, Technical & Regulatory Services

Officers from Law and Governance accompanied by the relevant Authorising Officer will present any authorisation to a Justice of the Peace for judicial approval. All authorisations will be subject to an internal scrutiny process prior to being submitted for such approval.

Local authorities may undertake surveillance for other purposes, but such surveillance will not benefit from the RIPA shield and will leave a local authority vulnerable to challenge. For this reason, all surveillance activity undertaken by the Authority, whether within the RIPA regime or not, must be appropriately authorised by one of the Authorising Officers and is subject to central monitoring and challenge.

1.5.3 Central Register

The Authority has a Central Register of all RIPA and non-RIPA surveillance activity. The Central Register is maintained and monitored by Law and Governance.

1.5.4 Inspection

Organisations using RIPA are subject to regular inspection by the Investigatory Powers Commissioner's Office (IPCO).

The Authority received a virtual online inspection visit from the IPCO on 7 September 2020. The purpose of the IPCO inspection was to examine the policies, procedures, operations and administration the Authority has in place in relation to the use of directed surveillance and covert human intelligence sources.

The outcome of the inspection was very supportive of the Authority's actions to manage its responsibilities under RIPA. A small number of recommendations were made in relation to the information that is provided to Officers in the Covert Surveillance Employee Handbook to update it and provide further clarity. The Employee Handbook is available to Officers, for reference and guidance in relation to the use of RIPA and covert surveillance. The update of the Handbook to reflect the recommendations is complete and has been uploaded onto the Intranet. A further recommendation was in relation to training. The inspector recommended that the Authority undertakes, as it has in previous years, a training and familiarisation process for Officers who may use covert surveillance as a part of their role. This training will include all members of the Senior Leadership team. The training will be delivered by Officers from Law and Governance who co-ordinate/oversee the use of RIPA and covert surveillance by the Authority.

The Inspector made no recommendations in relation to the Authority's Covert Surveillance Policy and commented that it "is a succinct summary of the approach the Council will take towards the use and management of covert powers".

1.5.5 Summary of Use of Surveillance, Acquisition of Communications Data and Covert Human Intelligence Source (CHIS)

It should be noted that following the changes to the RIPA regime from 1 November 2012, reported to Cabinet in November 2012, there have been no authorisations granted. The ground most commonly used by the Authority for authorising covert surveillance addressing anti-social behaviour was removed on 31 October 2012. Authorisations may now only be sought on the grounds that it relates to the prevention and detection of "serious crime". Serious crime is defined as crime punishable, whether on summary conviction or on indictment, by a maximum term of at least 6 months of imprisonment, or would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003, section 7 of the Children and Young Persons Act 1933 and sections 91 and 92 of the Children and Families Act 2014. These are all offences involving sale of tobacco/e-cigarettes and alcohol to children.

1.5.6 Corporate Responsibilities

The Codes of Practice advise that a Senior Responsible Officer (SRO) should be identified to ensure the Authority has appropriate policies and processes that accord with RIPA and the related Codes of Practice.

The Officer Delegation Scheme places the Senior Responsible Officer role with the Director of Law and Governance.

Each Director of Service is responsible for ensuring effective and legally compliant systems and procedures are in place for surveillance work within their Service Areas.

All employees connected with surveillance and handling of evidence are responsible for ensuring that they act only in accordance with their level of responsibility and training and in accordance with this Policy and associated documents. To assist in this an 'Employee Handbook: Use of Covert Surveillance, Covert Human Intelligence Sources and Communications Data', has been prepared. The Handbook provides key information for Officers and directs them towards key sources of detailed guidance. It will be kept under review and revised as necessary to ensure it reflects current procedures and best practice.

If Officers wish to undertake surveillance that falls outside of the RIPA regime they must take legal advice and seek appropriate authorisation. Information regarding surveillance (whether under RIPA or not) must be held centrally by the Senior Responsible Officer to enable the Authority to have an overview of all surveillance activities being undertaken by the Authority.

1.5.7 Compliance and Oversight

The Codes of Practice indicate that elected members of a local authority should review its use of RIPA and set the general surveillance policy at least annually. A local authority should also consider internal reports on the use of RIPA to ensure that it is being used consistently in compliance with the Authority's Policy and that the Policy remains fit for purpose.

To meet this policy requirement:

- Cabinet receives an annual report covering the Authority's use of RIPA powers, and review of the Policy for the following year;
- Reports will be presented to the Regulation and Review Committee on the Authority's use of RIPA powers. The Committee's role is to look at compliance, oversight and use of RIPA. The Committee will also consider whether the Policy remains fit for purpose and recommend changes to the Policy as appropriate for Cabinet's consideration; and
- The Elected Mayor who has responsibility for RIPA related activities receives updates from the Senior Responsible Officer regarding the use of the Authority's powers.

1.6 Decision options:

Option 1

Cabinet may:

1. Approve the Authority's Policy on Covert Surveillance (attached as Appendix 1); and

Option 2

Cabinet may ask Officers to revise the draft Policy and/or provide additional information regarding any matters contained in the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Approving the Authority's Policy on Covert Surveillance will secure adherence to the recommended best practice contained within the Codes of Practice. In particular, the Code of Practice – Covert Surveillance and Property Interference indicates that elected members should review the Authority's use of Part II of the Regulation of Investigatory Powers Act 2000 and set the policy at least once a year.

1.8 Appendices:

Appendix 1: Authority Policy on Covert Surveillance (draft).

1.9 Contact officers:

Wendy Rochester, Information Governance Manager/Data Protection Officer (0191 643 5620)
David Dunford, Senior Business Partner – Strategic Finance (0191 643 7027)

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

Employee Handbook: Use of Covert Surveillance, Covert Human Intelligence Sources and Communications Data

Home Office Codes of Practice https://www.gov.uk/government/collections/ripa-codes

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The provisions of the Policy can be implemented within the Law and Governance Service's existing resources.

2.2 Legal

The Policy has been prepared with reference to the relevant law and Codes of Practice. A number of Statutory Instruments and Codes of Practice published by the Home Office govern the operation of RIPA.

The Authority may only authorise directed surveillance where it is both necessary and proportionate to the investigation or operation being undertaken and to what is being sought to achieve in terms of evidence gathering. Senior Officers are appointed as Authorising Officers and have a key role in carefully scrutinising all applications for the use of RIPA powers under a specific authorisation.

Authorising Officers must ensure that authorisations are granted only in appropriate cases and that the extent of all authorisations are clearly set out.

The Authority cannot authorise intrusive surveillance under RIPA. Intrusive surveillance would involve placing an investigator on residential premises or in a private vehicle or allowing the use of an external surveillance device outside of the premises or vehicle that gives the same quality of information as if it was on the premises or in the vehicle.

The Policy, together with the Employee Handbook covers the procedures to be followed in seeking authorisations, maintaining appropriate oversight of the Policy and the central record of decisions.

2.3 Consultation/community engagement

The Policy is aimed at ensuring adherence to the best practice contained within the Codes of Practice and feedback from the Investigatory Powers Commissioner's Office as well as the law.

Internal consultation has taken place with officers with responsibility for the management and supervision of surveillance activity as well as the Regulation and Review Committee.

2.4 Human rights

Human rights implications are addressed within the report and the Policy. RIPA provides a framework under which surveillance activity can be authorised and conducted in a way that is compatible with the rights of individuals.

The Authority must also ensure that activity that falls outside of the RIPA regime is subject to careful scrutiny and authorisation to ensure that human rights are respected and the activity is lawfully undertaken.

2.5 Equalities and diversity

There are no equalities and diversity implications directly arising from the report.

2.6 Risk management

The Authority's Policy and the procedures contained in the Employee Handbook are designed to ensure the Authority complies with the law and Codes of Practice and thereby reduce the risks associated with surveillance activity.

2.7 Crime and disorder

RIPA may only be utilised by the Authority for the purposes of detecting and preventing crime.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

• Chief Executive	X
• Director of Service	x
• Mayor/Cabinet Member(s)	x
• Chief Finance Officer	x
• Monitoring Officer	x
• Assistant Chief Executive	x

Appendix A

(November 2021)

North Tyneside Council

Covert Surveillance Policy

(Regulation of Investigatory Powers Act 2000) (RIPA)

1. INTRODUCTION

This is North Tyneside Council's Covert Surveillance Policy document. It sets out the adopted approach of the Authority to ensure that any surveillance activity undertaken by the Authority is conducted in a way that is compatible with the human rights of individuals, in particular the right to respect for private and family life (in accordance with Article 8 of the European Convention on Human Rights).

The aim of the Policy is to:

- Explain the Authority's arrangements for authorising surveillance activity;
- Direct Officers to the key sources of guidance to ensure compliance with the Policy;
- Give effect to the rights of citizens to respect for their private and family lives (pursuant to the Human Rights Act 1998);
- Protect the Authority from legal challenge when undertaking surveillance; and
- Assist the Authority in complying with the Codes of Practice, Regulations and Orders issued under the Regulation of Investigatory Powers Act 2000 (RIPA) and to meet the requirements of the Inspectors from the Investigatory Powers Commissioner's Office (IPCO).

2. POLICY STATEMENT

The Authority agrees that as a matter of policy:

- The Authority is committed to complying with:
  (a) the Regulation of Investigatory Powers Act 2000 (RIPA) and the Codes of Practice issued under RIPA by the Home Office; and
  (b) guidance supplied by the Investigatory Powers Commissioner's Office (IPCO);
- Surveillance that falls outside of the RIPA regime will be subject to the Non-RIPA authorisation procedure and central monitoring to ensure:
  (a) the Authority has an overview of all surveillance activity it undertakes;
  (b) such activity is appropriately scrutinised; and
  (c) the rights of individuals are appropriately safeguarded.
- Relevant Officers shall receive sufficient training and guidance so as to reasonably ensure such compliance;
- Any Officer shall, if in any doubt about whether the legislation applies in a particular case or how to comply with it, seek guidance from an Authorising Officer and/or the Head of Law and Governance.

3. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a framework under which covert surveillance activity can be authorised and conducted in a way that is compatible with the rights of individuals. Where RIPA is complied with it provides statutory protection from legal challenge to the local authority and for this reason it is often referred to as the "RIPA shield".

Three covert investigatory techniques are available to local authorities under RIPA:

i. directed surveillance – covert surveillance of individuals in public places e.g. to tackle criminal activity;
ii. covert human intelligence sources (CHIS) such as the deployment of undercover officers; and

iii. the acquisition and disclosure of communications data such as telephone billing information or subscriber details e.g. to tackle rogue traders.

The Authority will use RIPA authorised surveillance where appropriate in order to detect and prevent crime. Authorisation will only be given where the proposed surveillance is both necessary and proportionate. The Protection of Freedoms Act 2012 requires local authorities to obtain the prior approval of a Justice of the Peace before the use of any one of the three covert investigatory techniques available as detailed above. An approval is also required if an authorisation to use such techniques is being renewed.

In each case, the role of the Justice of the Peace is to ensure that the correct procedures have been followed and the relevant factors have been taken into account. Approval can only be given if the Justice of the Peace is satisfied that:

a) There were reasonable grounds for the Authority's Authorising Officer approving the application to believe that the Directed Surveillance or deployment of a CHIS was necessary and proportionate and that there remain reasonable grounds for believing so;
b) The Authorising Officer was of the correct seniority within the organisation i.e. a Head of Service, Service Manager or equivalent in accordance with the relevant Regulations;
c) The granting of the authorisation was for the prescribed purpose of preventing or detecting crime and satisfies the Serious Offence Test for Directed Surveillance (see below); and
d) Any other conditions set out in any order under Part 2 of RIPA are satisfied (there are none at present).

In addition to the above, where the authorisation is for the deployment of a CHIS, the Justice of the Peace must be satisfied that:

a) the local authority can ensure that there are officers in place to carry out roles relating to the handling and management of the CHIS as well as the keeping of records;
b) Where the CHIS is under 16 or 18 years of age, the necessary requirements in relation parental consent, meetings, risk assessments and the duration of the authorisation have been satisfied. Note that the authorisation of such persons to act as a CHIS must come from the Head of Paid Service.
c) Where the application is for the renewal of a CHIS authorisation, a review has been carried out by the local authority and the Justice of the Peace has considered the results of the review. The provisions in relation to judicial approval make it clear that the Authorising Officer is not required to apply in person and there is no need to give notice to either the subject of the authorisation or their legal representatives. This reflects the covert nature of the exercise of the investigatory powers under RIPA. The Authority would be represented in any application to a Justice of the Peace by the Authority's Legal Service and the Authorising Officer. There is no requirement for a Justice of the Peace to consider either cancellations or internal reviews of authorisations.

At all times the risk of obtaining private information about persons who are not subjects of the surveillance must be considered (collateral intrusion) and steps must be taken to avoid or minimise it.

Examples of investigations where it is envisaged that covert techniques may be utilised to enable local authorities to gather evidence and offer evidence in legal proceedings include:

- Trading Standards e.g. action against loan sharks and rogue traders, car fraud, consumer scams, deceptive advertising, counterfeit goods, unsafe toys and electrical goods; and

- Environmental protection e.g. action to stop large scale waste dumping, the sale of unfit food etc.

Serious Offence Test

Local authorities may only use the RIPA provisions to authorise surveillance activities in order to detect and prevent crime as defined by the Regulations. In particular the crime which is sought to be prevented or detected by the surveillance activity must be punishable, whether on summary conviction or on indictment, by a maximum term of at least 6 months of imprisonment, or would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003, section 7 of the Children and Young Persons Act 1933 and sections 91 and 92 of the Children and Families Act 2014. The latter are all offences involving sale of tobacco and alcohol to underage children.

4. NECESSARY AND PROPORTIONATE

The Authority may only authorise directed surveillance, CHIS or the acquisition of communications data where it is both necessary and proportionate to what it seeks to achieve. Senior Offices are appointed as Authorising Officers (or Designated Persons for communications data purposes) and have a key role to play in carefully scrutinising all applications. Authorising Officers/Designated Persons must ensure that authorisations are granted only in appropriate cases and that the extent of all authorisations are clearly set out.

5. COLLATERAL INTRUSION

Collateral intrusion is obtaining private information about persons who are not subjects of the surveillance. The risk of collateral intrusion must be considered, and measures should be taken to avoid or minimise it.

6. NON-RIPA SURVEILLANCE

Surveillance activity which falls outside of RIPA, for example, monitoring of employees, does not benefit from the RIPA shield. When operating outside of the RIPA regime there is a greater risk of breaching an individual’s rights or being successfully challenged.

The Authority via its Senior Responsible Officer retains a central register of Non-RIPA surveillance activity. Officers are required to take great care to appropriately record, authorise, monitor and scrutinise such activity.

The principles of proportionality and necessity and the requirement to avoid or minimise collateral intrusion also apply to Non-RIPA surveillance.

7. CLOSED CIRCUIT TELEVISION (CCTV) SYSTEMS

Overt surveillance via CCTV is covered by the Data Protection Act 2018 and not by RIPA. CCTV is subject to the Surveillance Camera Code of Practice under the Data Protection Act, which is overseen by the Surveillance Camera Commissioner.
Signage must be in place to inform the public when they enter zones covered by CCTV equipment.

A central record of all CCTV in buildings operated by the Authority is held by the Senior Responsible Officer.

If CCTV cameras are used for covert surveillance (whether by the Authority or the Police), a RIPA authorisation is required.
North Tyneside Council's CCTV control room operates cameras throughout the North Tyneside area. The Police may make formal written requests for surveillance of a target for which they have a RIPA authorisation. Confirmation by sight of this authorisation will be sought and a copy will be retained (redacted as appropriate) by the CCTV Control Room Co-Ordinator.

Employees using CCTV covertly must be aware of the possibility of collateral intrusion (invading the privacy of people other than the target) and take steps to avoid or minimise it.

The Protection of Freedoms Act 2012 makes provision for the further regulation of surveillance camera systems. These are defined as Closed Circuit Television (CCTV), Automatic Number Plate Recognition (ANPR) and other surveillance camera technology.

The Surveillance Camera Code of Practice also includes guidance in relation to the development or use of such systems, and the use and processing of information derived from them. The Code of Practice includes provisions about:

- considerations as to whether to use surveillance camera systems;
- types of systems or apparatus
- technical standards for systems or apparatus
- locations for systems or apparatus
- the publication of information about systems or apparatus
- standards applicable to persons using or maintaining systems or apparatus
- standards applicable to persons using or processing information obtained by virtue of systems
- access to, or disclosure of, information so obtained
- procedures for complaints or consultation

The Authority must have regard to the Code if they operate or intend to operate any surveillance camera systems covered by the Code.

Failure to adhere to the Code will not in itself render an organisation liable to legal proceedings, but the Code is admissible in civil or criminal proceedings. The Code could also be enforced by way of judicial review in the High Court.

The CCTV provisions in the Protection of Freedoms Act 2012 add a completely new layer of control over the use of CCTV by local authorities.

8. CORPORATE RESPONSIBILITIES

The Authority's Senior Responsible Officer (currently the Head of Law and Governance) has overall responsibility for RIPA.

The Senior Responsible Officer appoints Authorising Officers and Designated Persons. A list of Authorising Officers/Designated Persons is held with the Central Record. This list may change as required. Only Authorised Officers named in the list may authorise covert surveillance activities under RIPA. Only Designated Persons named in the list may authorise the acquisition of communications data. The Senior Responsible Officer may remove an Officer from the list where they consider it is appropriate to do so.

In particular, the Senior Responsible Officer ensures that:

- Only Officers who have received appropriate training on RIPA are permitted to become Authorising Officers/Designated Persons.
- Refresher training is provided as required and training records are maintained.
- Monitoring arrangements are in place in each Service to ensure that the Authority is meeting its obligations under RIPA, the Codes of Practice, and this Policy.
- Reviews of authorisation documentation take place to ensure that they are completed in accordance with the requirements of RIPA, the Codes of Practice and Authority guidance. Appropriate feedback is given to officers to ensure high standards are encouraged and maintained.
- The Central Record is maintained in accordance with the requirements of the Codes of Practice and Authority guidance.
- An up-to-date copy of this Policy and associated guidance is available to all relevant employees.
- An annual review of this Policy is undertaken and presented to Cabinet for approval, in addition to provision of monitoring information.

The RIPA Co-ordinating Officer (currently the Information Governance Manager – Information Governance) supports the Senior Responsible Officer in relation to the discharge of that role. The RIPA Co-ordinating Officer also monitors all authorisations and provides robust challenge to authorisations to ensure they meet the requirements of the law and this Policy.

Each Head of Service is responsible for ensuring effective and legally compliant systems and procedures are in place for surveillance work within their Service Areas in respect of any surveillance activity whether undertaken within or outside of the RIPA provisions.

The Senior Responsible Officer is also responsible for ensuring that:

- Relevant officers receive appropriate training on RIPA before undertaking investigations that include (or may include) Directed Surveillance, the use of a CHIS or the acquisition or disclosure of communications data.
- Refresher training is provided as required and training records are maintained and supplied to the Senior Responsible Officer.
- Authorisations are approved, reviewed, renewed, and cancelled by the Authorising Officer/Designated Person as necessary, and such actions are reported to the Senior Responsible Officer.
- Records and evidence obtained as a result of surveillance/investigation are kept and destroyed in accordance with Authority Policy.

All employees connected with surveillance and handling evidence are responsible for ensuring that they act only in accordance with their level of responsibility and training and in accordance with this Policy and associated documents.

9. GUIDANCE

The Authority's intranet has a surveillance page containing the key guidance documents, including this Policy, the Employee Handbook, the relevant Codes of Practice, a guide to completing RIPA forms and a link to the Home Office RIPA forms.

The Authority has prepared the 'Employee Handbook: Use of Covert Surveillance & Covert Human Intelligence Sources & Communications Data (Regulation of Investigatory Powers Act

2000 (RIPA))' to provide guidance to Authority Officers regarding the use of RIPA and the procedures that must be followed.
The Employee Handbook may be revised by the Senior Responsible Officer during the year to reflect changes in procedures or best practice.

All Authority Officers who may authorise or undertake surveillance work must read the Handbook and follow the procedures within it.

Authority Officers are encouraged to seek guidance on the procedures from the Authorising Officers/Designated Persons and the Senior Responsible Officer.

If Officers wish to undertake surveillance which falls outside of the RIPA regime they must seek appropriate authorisation. This is covered in the Employee Handbook. Information regarding surveillance (whether under RIPA or not) must be held centrally by the Senior Responsible Officer to enable the Authority to have an overview of all surveillance activities being undertaken.

10. COMPLIANCE AND OVERSIGHT

The Senior Responsible Officer will assess compliance with this policy and associated guidance. The Senior Responsible Officer may seek support from Internal Audit as appropriate.

A random sample of authorisations will be checked monthly by the Senior Responsible Officer and on receipt by the RIPA Co-Ordinating Officer and any incorrect or incomplete authorisations will be reported to the relevant Authorising Officer and Head of Service. In addition to the sample checks the Senior Responsible Officer will provide feedback and guidance to Officers as needed throughout the year.

Elected Members have a key role in setting policy and overseeing the use of RIPA within the Authority. Members do not make investigatory/enforcement casework decisions in relation to specific authorisations.

The Elected Mayor is designated to champion compliance with RIPA within the Authority processes. The Elected Mayor receives regular updates from the Senior Responsible Officer regarding the use of the Authority's powers.

The Senior Responsible Officer presents reports to Regulation & Review Committee at least annually on the Authority's use of the powers but will also usually report the use of RIPA to the

next available committee meeting. The Committee looks at compliance, oversight and use of RIPA. The Committee considers whether the policy remains fit for purpose and will recommend changes where appropriate for Cabinet's consideration.

Cabinet will receive an annual report upon the Authority's use of the powers and will set the policy for the following year.

The Authority has designated a Cabinet Member (currently the Elected Mayor) and a Senior Responsible Officer (currently the Head of Law and Governance) to champion and oversee compliance with this Policy and associated procedures. Each Head of Service is responsible for ensuring compliance with RIPA in their service area.

Cabinet will review the RIPA policy and the Authority's use of RIPA on an annual basis.

11. REVIEW OF THIS POLICY

The Senior Responsible Officer will review this policy and associated controls as follows:

- Annually.
- Following legislative changes.
- Following any recommendations received as a result of inspections and reviews undertaken by the Investigatory Powers Commissioner's Office.
- Following any major breach in compliance.

12. RECORD KEEPING

Authorising Officers must send the originals of all applications, reviews, renewals and cancellations to the Senior Responsible Officer for filing with the Central Record. In light of the confidential nature of the data original documents should be hand delivered and must be stored securely. Documentation must not be altered in any way following its completion. If any clarification is needed regarding the content of a document this must be done via a separate document which must be signed and dated.

All documentation received as a result of an authorisation must be handled and stored securely and in line with data protection principles.

13. DESTRUCTION OF MATERIAL

Any material obtained during covert surveillance that is wholly unrelated to the operation and where there is no reason to believe that it will be relevant to future civil or criminal proceedings will be destroyed immediately.

In North Tyneside Council the retention period for the central record and associated material is six years from the end of each authorisation or the conclusion of connected court proceedings (whichever date is last).

Where the retention period has expired, the authorisation and any other material obtained or created during the course of the covert surveillance under the unique reference number will be destroyed.

The Authorising Officer/Designated Person will be responsible for ensuring that all material held in the department relating to the unique reference number is destroyed.

The Authorising Officer/Designated Person will notify the Senior Responsible Officer that the retention period has expired, giving the unique reference number and authorise destruction of the material held in the Central Record of Authorisations.

All material to be destroyed will be treated as confidential waste.
Officers should also refer to the Authority's Record Retention Guidelines before destroying any document or evidence obtained under RIPA.

Further guidance on record keeping is available in the Codes of Practice.

14. TRAINING

The Senior Responsible Officer will train the senior managers responsible for overseeing and monitoring RIPA activities, all other employees involved in RIPA activities, and ensure that they understand this Policy.

The Senior Responsible Officer will keep a record of the training undertaken by employees.

15. CODES OF PRACTICE & RELATED AUTHORITY DOCUMENTS

The following Codes of Practice have been issued by the Home Office:
1. Code of Practice - Covert Surveillance and Property Interference
2. Code of Practice - Covert Human Intelligence Sources
3. Code of Practice - Acquisition and Disclosure of Communications Data

All employees involved in surveillance activities must have regard to and act in accordance with:

- the Codes of Practice;
- the Employee Handbook: Use of Covert Surveillance & Covert Human Intelligence Sources & Communications Data (Regulation of Investigatory Powers Act 2000) (RIPA); and
- instruction and guidance from Authorising Officers/Designated Persons and the Senior Responsible Officer.

The Employee Handbook includes appendices providing detailed guidance to assist in the completion of RIPA forms.

16. MISCONDUCT

All employees involved in RIPA activities will comply with this Policy. Failure to comply with this Policy may be dealt with as misconduct or gross misconduct under the disciplinary procedures depending upon all of the circumstances of the case.

17. COMPLAINTS

Any complaint made to the Authority will be dealt with in accordance with the corporate complaints procedure.

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