



North Tyneside Council

# CAPITAL STRATEGY

## 2023 - 2033

WE LISTEN | WE CARE | WE ARE AMBITIOUS | WE ARE GOOD VALUE FOR MONEY



**North Tyneside Council – Capital Strategy**

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### 1 Introduction

- 1.1 The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management actively contribute to the infrastructure and provision of services for the benefits of North Tyneside's communities.
- 1.2 The overall aim of the Capital Strategy is to ensure that capital investment plans are affordable, prudent, and sustainable and they contribute towards the delivery of the Authority's strategic approach to building a better North Tyneside, outlined within Our North Tyneside Plan (Appendix 1).
- 1.3 Local Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. The Prudential Code was updated by CIPFA in 2021 and provides a framework which supports local strategic planning, local asset management planning and proper option appraisal.
- 1.4 A key element of the Code is that Local Authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made and gives appropriate consideration to both risk and reward and the impact on the achievement of priority outcomes.
- 1.5 The Authority's Capital Strategy takes a long-term view and covers the period from 2023 to 2033 and has been prepared to ensure compliance with the requirements of the Prudential Code, addressing the following key areas:
  - Capital expenditure
  - Debt, borrowing, investments and treasury management
  - Investments for service of commercial purposes
  - Other long-term liabilities
  - Knowledge and skills
- 1.6 The Capital Strategy is under significant financial pressure as a result of market volatility following Brexit, COVID-19 and the conflict in the Ukraine. The extent of the impact and implications are still evolving, given pressures on supply chains which are impacting upon the delivery timing and costs of planned investment. The Strategy must therefore include an element of flexibility to respond to changes and risks within the market and manage resources effectively.

### 2 Objectives of the Capital Strategy

- 2.1 The Capital Strategy determines the Authority's approach towards developing the Investment Plan, helping to ensure that capital resources are used in an efficient and effective manner to achieve medium and long-term strategic objectives.
- 2.2 The Authority's Capital Strategy ensures that Environmental, Social and Governance (ESG) considerations are embedded within the decision-making process.

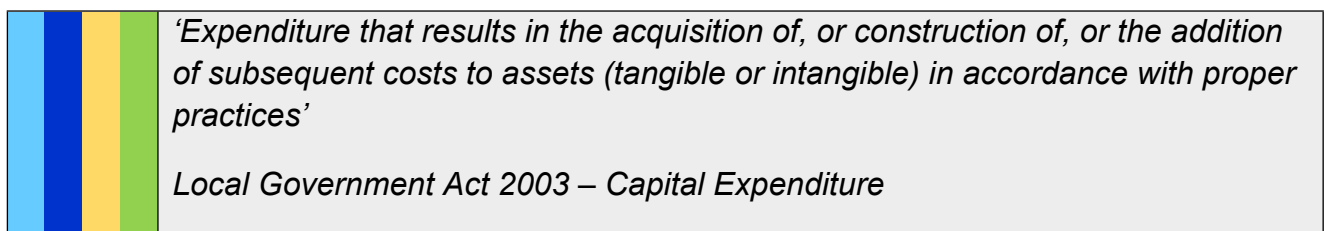
2.3 The Investment Plan represents a significant commitment of the Authority's resources to either purchase new assets or enhance existing assets to support the effective delivery of the Authority's services and promote wider economic and housing regeneration.

2.4 Key objectives include:

- Providing a framework within statutory legislation to support capital decision making and ongoing management and monitoring to ensure the Investment Plan remains affordable, sustainable, proportionate and prudent over the long-term;
- Outline the process to identify, programme and prioritise potential capital schemes;
- Providing a long-term view of capital expenditure plans and associated risks to the Authority;
- Consider resources and funding options over the longer term to minimise the impact upon the Authority's revenue budget.

### 3 Capital Expenditure

3.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year.



3.2 To qualify as capital expenditure, expenditure must be directly attributable to an asset and:

- Results in the acquisition, construction or improvement of an asset
- Is separately identifiable and measurable
- Results in a measurable benefit to the Authority for a period of more than 12 months

3.3 In Local Government, this also includes spending on assets which may be owned by other bodies and loans or grants awarded to other bodies for capital purposes provided this is not an investment primarily to generate a yield for the Authority.

3.4 The Authority's Capitalisation Policy (set out in Appendix 2) is audited as part of the production of the Statutory Accounts.

3.5 The majority of the Authority's non-current assets are properties that are used to support service delivery. As at 31 March 2022 the Authority's land, buildings and infrastructure asset base of over 450 properties has a current use Balance Sheet value of approximately £241 million, approximately 945 kilometres of highways and bridges, subways, culverts and other structures with a historic value of £179 million, council housing stock comprising almost 15,000 properties with a balance sheet value of £675 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.

#### 4. Strategic Priorities

- 4.1 All investment within the Investment Plan must be clearly aligned to the Authority's strategic approach to Building A Better North Tyneside. The Our North Tyneside Plan sets out the Authority's ambitions for making North Tyneside an even greater place to live, work and visit by 2025. The plan outlines a vision of building a better North Tyneside, looking to the future and listening to and working better for residents.
- 4.2 The Our North Tyneside Plan builds on the Authority's work over the last eight years and addresses the key challenges faced 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 which seeks to tackle inequalities and discrimination and ensure no-one is left behind.
- 4.3 There are five key themes within the Our North Tyneside Plan, each with specific areas of work and clear priorities as set out in Appendix 1.

|  |
|--|
|  <ul style="list-style-type: none"> <li>• <b>A thriving North Tyneside</b></li> <li>• <b>A secure North Tyneside</b></li> <li>• <b>A family-friendly North Tyneside</b></li> <li>• <b>A caring North Tyneside</b></li> <li>• <b>A green North Tyneside</b></li> </ul> |
|--|

- 4.4 The Authority will continue to work collaboratively in partnership with our residents, our businesses, our community and voluntary sector as well as our regional partners, the North of Tyne Combined Authority and other key organisations like the NHS, the police, fire and rescue services to help deliver the Our North Tyneside Plan.
- 4.5 The development of the Investment Plan has clear links to the Authority's Medium Term Financial Plan and revenue budget. To ensure the Investment Plan remains affordable, sustainable and prudent over the long-term, the whole life capital and revenue implications of each capital project are considered prior to determining whether a scheme can be supported and accommodated from within the Authority's financial plans.
- 4.6 Within the Investment Plan, the key focus includes supporting schemes which:
- Deliver policy priorities
  - Maintain existing assets
  - Generate ongoing savings through invest-to-save initiatives
  - Facilitate regeneration and enhance key strategic infrastructure
  - Maximise the use of external funding
- 4.7 The Authority has a series of key strategies which support the delivery of the Our North Tyneside Plan and provides more detailed guidance and priorities for the development of specific projects, set out in the following table.

| Our North Tyneside Plan           |  |
|-----------------------------------|--|
| <b>Thriving</b>                   | <ul style="list-style-type: none"> <li>• Strategic Economic Plan</li> <li>• Employment and Skills Strategy</li> <li>• Inclusive Economy Strategy</li> <li>• Estates Strategy</li> <li>• Our Ambition for North Tyneside</li> <li>• North Shields Master Plan</li> </ul>  |
| <b>Secure</b>                     | <ul style="list-style-type: none"> <li>• Local Plan and Master Plans</li> <li>• Transport Strategy <ul style="list-style-type: none"> <li>○ Highways Asset Management Plan</li> <li>○ Network Management Plan</li> </ul> </li> <li>• Housing Strategy <ul style="list-style-type: none"> <li>○ Strategic Housing Market Assessment</li> <li>○ Strategic Land Availability Assessment</li> <li>○ Housing Revenue Account Business Plan</li> <li>○ Housing Revenue Account Asset Management Plan</li> </ul> </li> <li>• Flood Alleviation <ul style="list-style-type: none"> <li>○ Flood Risk Management Strategy</li> <li>○ Coastal Strategy</li> </ul> </li> </ul> |
| <b>Caring and Family Friendly</b> | <ul style="list-style-type: none"> <li>• Joint Strategic Needs Assessment</li> <li>• Health and Wellbeing Strategy</li> <li>• Community Safety Strategy</li> <li>• Ambition for Education</li> <li>• Children and Young People Plan</li> <li>• Special Education Needs and Disability (SEND) Inclusion Strategy</li> </ul>   |
| <b>Green</b>                      | <ul style="list-style-type: none"> <li>• Climate Emergency <ul style="list-style-type: none"> <li>○ Carbon Net-Zero 2030 Action Plan</li> </ul> </li> <li>• 10-Year Plan for Waste</li> </ul>  |
| <b>Organisation</b>               | <ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Asset Management Plan</li> <li>• Treasury Management Strategy</li> <li>• ICT Digital Strategy</li> </ul>  |

4.8 For any capital investment the Authority takes into consideration environmental, social and governance factors (ESG), which are embedded within the Authority's core strategies and reporting arrangements, with a view to influencing and delivering positive change within the Borough.

4.9 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 2050. Subsequently, in acknowledgement of the gravity and urgency of the Climate Emergency, the refreshed Our North Tyneside Council Plan 2021-25, approved by full Council in September 2021, confirmed that *'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.* At the end of 2021/22, the Authority's carbon footprint had decreased by 53% since the baseline year of 2010/11, meeting the 2023 target.

- 4.10 The Investment Plan therefore supports the delivery of the Authority's Carbon Net-Zero 2030 Action Plan which was approved by Cabinet in August 2022. The Authority's Carbon Net-Zero 2030 Board provides governance to both project development and delivery.
- 4.11 Projects delivered with the capital funding will reduce the carbon footprint of the Authority's estate and operations and the Borough and will typically focus on improving energy efficiency of buildings, decarbonising heat, decarbonising travel and generating renewable energy.
- 4.12 The Authority provides a range of services with significant social value to the residents of the Borough, many of which require capital investment through the Investment Plan. This includes investment in areas such as the provision of social housing, schools, parks, playgrounds and green infrastructure as well as ensuring that the procurement approaches for major capital investment incorporate social value considerations. In addition, capital investment proposals also undertake Equality Impact Assessments as part of the decision-making process.
- 4.13 As part of the SEND Inclusion Strategy, the draft Dedicated Schools Grant (DSG) Management Plan is a 5 year plan which seeks to address the DSG High Needs deficit. The authority is looking to remodel it's SEND provision with potential capital investment and external funding contributions being explored.

## 5. Investment Plan Governance

- 5.1 To ensure available resources are managed in the optimum way, the Authority considers and plans the Investment Plan as part of the service and revenue budget planning process within the Medium Term Financial Plan framework.
- 5.2 The Authority has a range of mechanisms in place to ensure the effective management of capital resources to deliver the Authority's strategic priorities including:
  - Democratic decision making and scrutiny provide political direction and ensure accountability around investment decisions including:
    - *Full Council* – responsible for approving the Capital Strategy, Treasury Management Strategy and Investment Plan
    - *Cabinet* – responsible for setting the corporate framework and political priorities to be reflected in the Investment Plan, recommending projects for inclusion and monitoring delivery of the Investment Plan throughout the year
  - Investment Programme Board – responsible for considering specific project proposals and recommending approval of schemes and variances to Cabinet
  - Officer groups which bring together multi-disciplinary professional expertise from across the Authority helping to develop and scrutinise capital schemes, preparing business cases and to establish project boards for major and complex schemes as appropriate to ensure effective delivery.
- 5.3 Introducing schemes to the Investment Plan has a specific approved governance process which involves progressing through a series of Gateways, outlined in Appendix 3, which are considered by the Investment Programme Board.



- 5.4 As part of the approval 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 and that the financial implications are reflected in the Authority's financial plans. This will be provided as part of the Gateway 2 submission to the Investment Programme Board for approval prior to commencement of the scheme.
6. **Setting the Investment Plan**
- 6.1 The Investment Plan is set for a five-year period and reviewed annually alongside the development of the Authority's revenue budget. The review process considers the position on existing commitments, ensuring these remain a priority for the Authority, as well as considering the introduction of additional priority schemes. Any variation to the Investment Plan, including the introduction of additional schemes, will consider the resourcing implications and potential delivery arrangements.
- 6.2 The Authority manages the introduction of new capital schemes through the Gateway process, with the details of proposed schemes being outlined on Gateway forms supported by individual business cases which are considered by Officer groups and reported to Investment Programme Board in advance of progressing to Cabinet and Council for consideration.
- 6.3 Individual project proposals must demonstrate a strong alignment with the Authority's strategic priorities and consider the associated financial implications and risks, including an analysis of:
- Project delivery timescales and estimated cashflows
  - Projected financial implications across the lifetime of the scheme (whole life costs)
  - Projected outcomes, both financial and non-financial
- 6.4 The projected financial implications of any capital investment decision must be incorporated into the Authority's Capital Financing Requirement and Medium-Term Financial Plan to ensure that a scheme is affordable and sustainable.
- 6.5 A key principle is that all investment decisions should ensure that risks are fully understood, with appropriate strategies in place to manage risks effectively. All capital projects are required to align to the Authority's risk management framework.
- 6.6 During the year, Investment Programme Board consider requests to vary existing capital commitments and to introduce additional schemes, which follow the same assessment process and are considered by Cabinet for inclusion in the Investment Plan.
7. **Monitoring the Investment Plan**
- 7.1 Capital schemes within the Investment Plan are monitored by project managers, supported and co-ordinated by finance. This process considers delivery against the original programme, budget allocation, funding sources and agreed outputs.
- 7.2 Project managers are responsible for effective control and monitoring of their projects ensuring:
- Only genuine capital expenditure is charged to the project;



- Capital expenditure is properly attributable to the specific project;
- Capital expenditure is within the agreed budget, or approval is sought for any variations;
- Expenditure profiles are realistic and subject to regular review and formal approval is sought to adjust this where required;
- Risks relating to the project are considered, recorded, communicated and monitored;
- The projected outcomes of the scheme are achieved.

7.3 Where capital schemes are more complex, a multi-disciplinary project group may be established to oversee the effective delivery of the scheme. This may also be supplemented by external specialist advice where it is deemed this is necessary.

7.4 A formal monitoring report on the progress of schemes within the Investment Plan is taken to Investment Programme Board on a monthly basis, which provides information on delivery progress, risks and captures any potential changes. Any changes are underpinned by the Gateway governance process (Appendix 3) which formally records any variance to the existing approved schemes. Formal reports are also taken relating to the outturn ensuring that Investment Programme Board understand the impact of the capital investment and outputs that have been achieved in any particular year.

7.5 Cabinet receives bi-monthly monitoring reports and must provide formal approval to additional resource allocations, changes to existing schemes relating to amounts, financing arrangements, delivery timing or outputs.

## 8. Longer-Term Planning

8.1 The Investment Plan is based upon a five-year planning cycle, aligning with the Authority's medium-term financial plan. However, the Prudential Code requires a longer-term consideration of the Authority's capital investment requirements, acknowledging that this will involve a high degree of estimation at this stage and that specific proposals will evolve.

8.2 The Investment Plan, approved by Council in February 2022 covers the period to 2026/27 and amounts to almost £330m, with £173m of General Fund schemes and £157m within the Housing Revenue Account.

8.3 Potential additional capital projects will be identified through the Gateway process however there are elements of recurring capital investment which will be necessary to continue to ensure effective service delivery beyond the Investment Plan period. This includes investment in areas such as:

- Highways – improvement and maintenance of the Authority's highway assets including roads, bridges, footpaths and traffic signal equipment
- Property – improvement and maintenance of the Authority's operational buildings utilised to support service delivery
- Vehicles – acquisition of vehicles, including refuse collection vehicles, to support service delivery
- IT equipment and infrastructure – improvement and replacement of the IT infrastructure and devices to ensure effective and secure service delivery

8.4 This has resulted in the following indicative projections for future capital investment programmes beyond the existing Investment Plan term:

| Asset Group (£m)  | Investment Plan | Years 6 – 10 |
|-------------------|-----------------|--------------|
| Highways          | 10.0            | 10.0         |
| Council Property  | 13.0            | 10.0         |
| Vehicles          | 8.0             | 10.0         |
| IT Infrastructure | 6.0             | 10.0         |
| Total Projected   | 37.0            | 40.0         |

## 9. Capital Funding Sources

9.1 There are a range of external and internal funding sources that the Authority considers to support the delivery of the Investment Plan. These primarily include:

- External grants and contributions
- Capital receipts generated from the sale of assets
- Contribution from revenue resources
- Prudential borrowing
- Institutional investment

### *External Grants and Contributions*

9.2 The Authority actively explores external funding opportunities to support the delivery of priority schemes within the Investment Plan. This can include the use of grants awarded on a formula basis from Government departments or as a result of competitive funding applications to Government departments or other grant awarding bodies such as Heritage Lottery, Local Enterprise Partnerships or the North of Tyne Combined Authority.

9.3 As part of the Investment Programme Board governance the Authority reviews each external funding opportunity to understand the associated conditions and risks that may pass to the Authority to manage as part of scheme delivery.

9.4 The Authority receives significant contributions from Developers as part of the planning process to support additional development and mitigate the impact locally. This includes Section 106 contributions, Community Infrastructure Levy and Section 278 contributions towards highways improvements. Any associated conditions relating to these contributions are addressed when developing specific project proposals and monitored as part of the delivery of the Investment Plan.

### *Capital Receipts*

9.5 The Authority has a significant property estate the majority of which is held for operational purposes to ensure the effective delivery of the Authority's core services. However, strategic reviews of the portfolio can result in identifying properties which are deemed surplus to requirements and can be sold.

9.6 The proceeds arising from the sale of the Authority's assets are used to support the Investment Plan to fund the delivery of the Authority's priorities. The Authority has a planned and structured approach towards managing the disposal of assets, overseen by the Strategic Property Group.

9.7 The Authority does not commit capital receipts in advance of realisation and does not ring-fence the use of receipts to specific schemes except where regulations may require this. Typically, the following options will be considered when determining the optimum allocation of receipts:

- Repayment of existing debt
- Mitigating the need for future borrowing requirements to deliver the Investment Plan
- Funding transformational projects which will deliver significant efficiency savings
- Funding additional capital investment

### *Revenue Contributions*

- 9.8 Capital investment can be financed directly from the Authority's revenue budget. However, the current pressures on the Authority's revenue budget limit the extent of this type of funding in the General Fund.
- 9.9 The Housing Revenue Account business plan utilises significant revenue contributions to fund investment in the Authority's housing stock. These contributions are transferred via a ring-fenced Major Repairs Reserve.

### *Prudential Borrowing*

- 9.10 Under the Prudential Code the Authority is able to borrow to fund capital investment provided it can be demonstrated that the borrowing is prudent, affordable and sustainable. The Authority is unable to utilise borrowing to support any investment which is primarily for yield.
- 9.11 The level of borrowing that can be supported is dependent on the availability of revenue resources required to fund the associated financing costs, with the need to identify a long-term source of revenue to meet these payments. This position is reviewed as part of developing robust business cases for each project, considering the ongoing revenue implications of every investment decision.
- 9.12 The Authority makes provision for the repayment of the principal element of the borrowing through the Minimum Revenue Provision (MRP) which is charged to the revenue budget each year. The Authority considers the MRP policy on an annual basis as part of setting the revenue budget, with the calculation aligned to the useful life of the assets to which the borrowing relates in accordance with the guidance.
- 9.13 As part of complying with the Prudential Code several indicators are considered by full Council, showing ratios of costs and levels of borrowing. These indicators are monitored on an ongoing basis and reported formally to Cabinet and Council to ensure investment plans remain within agreed parameters.

### *Institutional and Alternative Investment*

- 9.14 Whilst not currently actively pursuing this type of funding arrangement, the Authority may also consider long-term financing arrangements as an alternative to the use of prudential borrowing as a means to facilitate additional regeneration within the Borough.
- 9.15 This type of funding, typically involving UK Pension Funds with strong Environmental, Social and Governance credentials, also requires a long-term revenue commitment which means the Authority must fully understand the risks involved and the likely performance of the underlying asset. Any decision to explore alternative investment opportunities would be subject to Cabinet approval as part of developing the specific project.

## 10. **Asset Management**

- 10.1 It is essential to understand the need, utilisation, condition and the investment and operating costs associated with the Authority's asset portfolio to ensure the effective use of the Authority's resources.

- 10.2 To ensure that capital assets continue to be of long-term use, the Authority has approved asset management plans in place for property assets with the intention to create a sustainable, efficient and fit-for-purpose portfolio of assets. A disposal strategy is also in place to find alternative beneficial uses for any assets which are deemed surplus to requirements.
- 10.3 The Authority also has asset management plans in place for highways and other infrastructure assets which guide investment decisions and seek to align spending plans with other key priorities as part of a co-ordinated and targeted approach to maximise value.

**11. Debt, borrowing, investments and treasury management**

11.1 CIPFA define Treasury Management in the Treasury Management Code of Practice as follows:



*'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 the activities; and the pursuit of optimum performance consistent with those risks'*

*CIPFA – Treasury Management Code of Practice*

- 11.2 The Treasury Management role is to keep sufficient but not excessive cash available to meet the Authority's spending needs, while effectively managing the risks involved. Surplus cash is invested until it is required, while a shortage of cash will be met by borrowing to avoid excessive credit balances or overdrafts in the bank account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent and the Authority holds cash reserves. Revenue cash surpluses are often offset against capital cash shortfalls to reduce the overall borrowing requirement.
- 11.3 The Authority's Treasury Management Strategy specifies how the Authority manages its treasury activities and includes the Authorities borrowing and investment strategies as well as specifying the Authority's risk appetite.

*Borrowing Strategy*

- 11.4 The borrowing strategy outlines the options available to fund the Capital Financing Requirement (CFR), which is the Authority's underlying need to borrow, and how the risks around borrowing will be managed. Prudential Indicators are set annually as part of the Authority's revenue budget and these help to ensure that the Investment Plan remains affordable, sustainable and prudent by setting maximum levels of borrowing, interest rates exposure and the total borrowing maturity exposure per period.
- 11.5 The following table shows the estimated net revenue cost of debt charges and future borrowing levels that will be required to meet the CFR over the 10-year timeframe of the Capital Strategy. This includes assumptions on longer-term investment requirements beyond the existing Investment Plan but does not include other long-term liabilities such as PFI schemes.

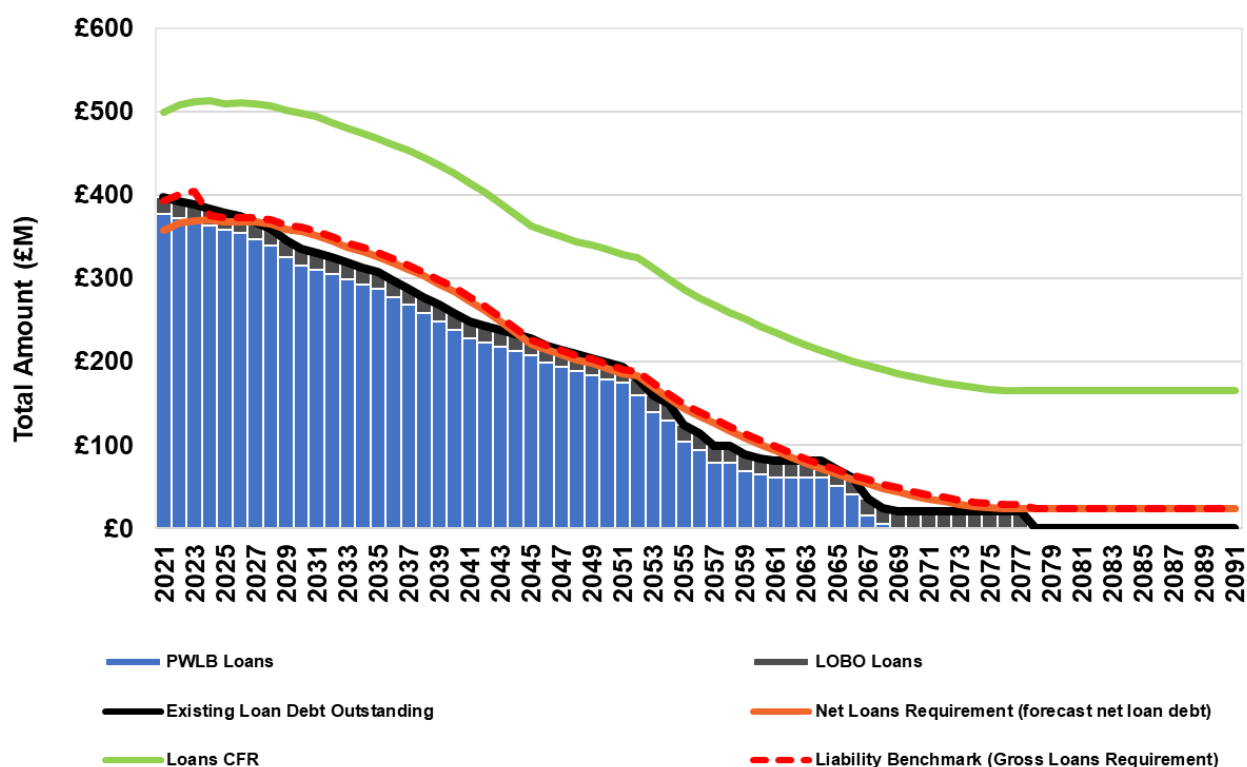
## Appendix D (iv)

| £m                                       | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 | 31/32 | 32/33 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Capital Financing Requirement (Excl PFI) | 499.5 | 503.0 | 506.6 | 514.3 | 512.8 | 514.1 | 512.8 | 508.3 | 500.3 | 495.0 |
| Existing External Debt                   | 398.4 | 393.4 | 388.4 | 384.9 | 376.9 | 368.9 | 355.0 | 345.0 | 340.0 | 335.0 |
| Additional External Debt Requirement     | 101.0 | 109.5 | 118.2 | 129.4 | 135.9 | 145.3 | 157.9 | 163.4 | 160.3 | 160.0 |
| Net Debt Charges                         | 13.4  | 14.8  | 15.8  | 16.8  | 17.4  | 18.2  | 18.7  | 17.5  | 17.9  | 18.4  |

### Liability Benchmarking

- 11.6 To compare the Authority's actual borrowing to its underlying need to borrow a liability benchmark has been calculated using the Authority's loans and Capital Financing Requirement less its underlying cash investments.

### Liability Benchmark



- 11.7 The liability benchmark indicates that the Authority will be under-borrowed against its requirements. This will mean that additional borrowing will be required but the Authority will manage that by monitoring interest rates and identifying the optimum borrowing opportunities in accordance with its Treasury Management Strategy. There may be occasions when the Authority will opt to actively be under-borrowed to avoid excessive interest rate costs through the use of internal resources.

### Borrowing Limits

- 11.8 The Authority sets an affordable borrowing limit (also known as the authorised limit for external debt) each year to comply with the Prudential Code. A lower operational boundary is also set as a warning level should debt approach the limit. An indication of these based on the Investment Plan is set out in the table below:

## Appendix D (iv)

| £m  | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 | 31/32 | 32/33 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Authorised Limit for External Debt</b>     |       |       |       |       |       |       |       |       |       |       |
| Borrowing                                     | 1,040 | 1,020 | 1,010 | 1,000 | 980   | 960   | 940   | 920   | 900   | 880   |
| PFI and Leases                                | 135   | 235   | 235   | 235   | 235   | 235   | 235   | 235   | 235   | 235   |
| Total   | 1,175 | 1,255 | 1,245 | 1,235 | 1,215 | 1,195 | 1,175 | 1,155 | 1,135 | 1,115 |
| <b>Operational Boundary for External Debt</b> |       |       |       |       |       |       |       |       |       |       |
| Borrowing                                     | 520   | 520   | 520   | 520   | 520   | 520   | 520   | 520   | 520   | 520   |
| PFI and Leases                                | 115   | 185   | 185   | 180   | 175   | 175   | 175   | 175   | 175   | 175   |
| Total   | 635   | 705   | 705   | 700   | 695   | 695   | 695   | 695   | 695   | 695   |

### 12. Investments for service of commercial purposes

- 12.1 The Authority has not entered into any non-treasury financial investments which are purely to generate a commercial return. The Authority does own a portfolio of tenanted non-operational units, such as industrial units and retail units which generate a source of revenue income, however these have been held for a number of years and are retained primarily to support the Authority's priorities around local employment and regeneration. As such, the key risk exposure relates to void periods and reductions in rental income.
- 12.2 There are currently no plans to enter into a non-treasury financial investment primarily to obtain a revenue return. However, if the opportunity arose the long-term financial implications and potential risks would be assessed as part of the due diligence process and any arrangement would require Cabinet approval.

### 13. Other long-term liabilities

- 13.1 Local Authorities may take on liabilities and hold investments where this forms part of service delivery. Whilst these are not included within the Investment Plan they are included within the wider Capital Strategy to provide an overarching view of the Authority's financial position.
- 13.2 As at 31st March 2022 the Council held £105.361m long-term liabilities in respect of PFI schemes;
- Sheltered Accommodation £70.711m
  - Schools £20.614m
  - Joint Service Centres £10.115m
  - Street Lighting £3.921m

### 14. Knowledge and skills

- 14.1 Officers and Councillors involved in the decision-making process regarding capital expenditure, borrowing and investment matters are required to have an appropriate level of skills and knowledge to make informed decisions.
- 14.2 The Authority employs experienced, professionally qualified officers which include qualified accountants from CIPFA, ACCA and CIMA with commitments to Continued Professional Development. In addition, the Authority ensures that key officers involved in the delivery of schemes within the Investment Plan from other disciplines also have the required professional standing and suitable experience to effectively manage risk.

## **Appendix D (iv)**

- 14.3 The Authority also utilises Link Asset Services to provide additional advice and support regarding treasury management decisions and provide additional specialist knowledge.
- 14.4 Where individual capital schemes are complex or higher-risk in their nature the Authority will engage with specialist advisors where necessary to assist with the due diligence process which could include assisting with developing business cases, project appraisal or delivery advice and support. The outcome of this advice will form part of the reports to senior officers and Councillors as part of the decision-making process.
- 14.5 Treasury management and capital training is available to Officers and Councillors including formal training delivered by external advisors as well as in-house presentations and briefings on specific and relevant issues.
15. **Conclusion**
- 15.1 The Capital Strategy is a reporting requirement of the CIPFA Prudential Code, most recently updated in 2021, and this Strategy summarises how capital expenditure, capital financing and treasury management activity contribute towards the infrastructure and provision of services for the residents of the Borough.
- 15.2 The Capital Strategy takes account of the Authority's vision to build a better North Tyneside and helps to ensure that any new investment is considered within the context of growth in a financially and environmentally sustainable manner.
- 15.3 The Capital Strategy provides an overview of how associated risk is managed and the implications for future financial sustainability, ensuring that the impact of capital investment plans are aligned with the Authority's Medium Term Financial Plan and the ongoing financial challenges that the Authority faces.



# 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



### Appendix 2 – Capitalisation Policy

Expenditure on the acquisition of a non-current asset, or expenditure that adds to rather than simply maintains the value of a non-current asset is capitalised on an accruals basis and classed as a non-current asset on the Authority's balance sheet provided that the benefits to the Authority and the services it provides will last for a period of more than one year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or enhancement of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Significantly lengthen the useful life of the asset; or
- Significantly increase the open market value of the asset; or
- Significantly increase the extent to which the asset can or will be used for the purposes of the Authority.

The Authority capitalises expenditure on developing and implementing computer software and licenses as an intangible asset, provided that the expected life exceeds one year.

The Authority capitalises dedicated Project Management costs where this is directly linked to the delivery of a major project included within the Investment Plan.

All capital expenditure creating or enhancing a non-current asset will be recorded in the Authority's Asset Register where the asset can be separately identified. Some expenditure may also relate to assets owned by a third party rather than the Authority and this is capitalised as Revenue Funded from Capital under Statute (REFCUS) in accordance with accounting regulations.

The Authority's de-minimis level is £10,000 for land, buildings and infrastructure and £6,000 for equipment, except for certain external funding regimes where different levels of capitalisation are specified.

All expenditure is capitalised using capital accounts and is financed at the year-end, as long as the scheme has been approved through the Authority's Investment Plan. This includes programmes of spending such as purchase of fleet vehicles, ICT equipment, strategic maintenance or health and safety schemes, where individual project spend could be less than the current de-minimis level.

## Appendix 3 – Investment Plan Governance: Gateway Process

| Investment Programme Board  |   |
|---|---|
| <p>The purpose of the Gateway process is to ensure that all necessary approvals are secured at all key stages of any Capital project – this also includes regional projects. Project Officers are responsible for the completion and submission of all Gateway Forms to the Strategic Investment and Property Team 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.</p> |   |
| <p><b>Gateway 0</b><br/><b>Strategic Fit</b></p>  | <p><b>Purpose:</b> A brief submission to demonstrate that a mandate exists, the project or programme has been prioritised and an outline business case has been developed. There is a requirement to convey how far the idea has been developed in terms of feasibility.</p> <p><b>Role:</b> 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 detailed feasibility stage.</p>   |
| <p><b>Gateway 1</b><br/><b>Feasibility</b></p>  | <p><b>Purpose:</b> This document constitutes a formal bid for capital investment for 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. This will ensure that all projects are aligned to the Authority's Our North Tyneside Plan and that any financial or other implications are addressed prior to consideration by the full IPB Board</p> <p><b>Role:</b> 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.</p> |
| <p><b>Gateway 2</b><br/><b>Approval and Delivery</b></p>  | <p><b>Purpose:</b> This stage provides formal approval to spend the Authority's resources and 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 previous Gateway, either in terms of expenditure, funding or both then any variance must be explained and justified. In addition, this Gateway Form must provide information on the spend profile which will then be monitored as part of the overall investment plan.</p> <p><b>Role:</b> Officers in both the Strategic Investment &amp; Property Team and the Client Finance Team will complete final checks to confirm that relevant information has been submitted correctly and appears reasonable and in accordance with the business case.</p>  |

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|--|---|
| <p><b>Gateway 3<br/>Exception<br/>Report</b></p> | <p><b>Purpose:</b> This submission addresses variances from the approved position which could include project delays, financial concerns or new information that may now have an impact on the project. Information contained in this submission should provide the IPB with information on the project and the specific issues as to why the matter has been escalated to the IPB and must include a revised spend profile. 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.</p> <p><b>Role:</b> 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.</p> |
| <p><b>Gateway 4<br/>Project<br/>Close</b></p>    | <p><b>Purpose of Document:</b> 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. Completion of all relevant sections is mandatory to enable consolidated reporting on the Investment Plan, helping to confirm scheme outputs and any relevant lessons that have been learned and which can then inform the delivery of similar schemes in the future.</p> <p><b>Role:</b> The Investment Programme Board will provide scrutiny and review this submission including for capital accounting and financial closure purposes.</p>   |