Medium Term Financial Plan 2024 – 2029

South Tyneside Council

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Contents

Foreword by Leader of the Council

As we enter year two of our 20-year vision for the Borough we do so with a refreshed performance framework and even better understanding of the challenges which the Borough faces as well as the opportunities which are available. This Medium Term Financial Plan has been compiled using evidence, insights, and feedback from the people of the Borough. Its content aligns with our Vision for South Tyneside to be a place where people live healthy, happy, and fulfilled lives and our five core ‘Ambitions’ for residents delivered through our 2023-26 strategic plan and underpinned by our organisational PROUD values.

Our Ambitions:

We have five ‘Ambitions’ – the things we want to achieve over the next 20 years to help deliver our Vision. These five Ambitions will guide everything we do.

We want all people in South Tyneside to be:

Financially secure

Residents will be financially secure. They will have what they need for a good standard of living.

Healthy and well

Residents will enjoy good mental wellbeing and physical health throughout their lives. They will have the best start in life and be able to live and age well.

Connected to jobs

Residents will have access to jobs, skills, and learning. They will have the skills and confidence to apply for a wide range of quality local jobs. These jobs will be in key and growing areas of employment and will benefit all of our borough.

Part of strong communities

Residents will live in clean, green, and connected communities where they feel safe.

And we want these things for every resident, so we are committed to:

Targeting support to make things fairer

We will target support at the residents and parts of our borough that need it the most, reducing inequalities and making things fairer.

As a Council, setting a balanced budget is one of the most difficult but important responsibilities we have. Each year, we weigh up pressures including increased demand for services, reduced central government funding, and competing commitments, priorities, and ambitions. Our 20-year vision continues to be the main driver and focus of our budget planning.

Our Medium Term Financial Plan outlines how our energy and resources are focused on tackling the biggest and most fundamental societal issues facing residents, whilst continuing to deliver the hundreds of day-to-day services including supporting those in need or families in crisis to maintaining our highways and keeping parks and beaches clean and accessible.

We know that our residents continue to face pressure from the ongoing Cost-of-Living crisis. Our support services have helped thousands across South Tyneside and our continued work with the Borough’s voluntary sector and signposting to outreach networks have helped face the challenge head on. We continue to do what we can to support residents and businesses in the Borough, working together to reshape our services to ensure that they are sustainable.

As an organisation we want to be the absolute best for our residents and continue to change as an organisation, for the better. Our Council change programme has laid the foundations for real transformational change, as we move to the next phase of our change journey we are focusing our activities on prevention and early intervention to reduce the need for acute services and support, income generation and commercialisation to create sustainable services, the modernisation of working practices including the use of the latest technology as well as the application of insights data about the state of the Borough to approach the challenges we have ahead. We are a Council that works to a vision and ambitions that put our people at the heart of everything we do.

On top of delivering our critical day to day services, we’ve pressed forward with some fantastic projects and service improvement that are really beginning to make the difference for our residents.

We have made further progress on our regeneration and growth projects like the International Advanced Manufacturing Park, Holborn Riverside, and a new campus for Tyne Coast College. We have also brought forward a new masterplan for South Shields Town Centre and undertaken extensive consultation ahead of a new masterplan for Hebburn, with future consultation planned for Jarrow as part of the £20m Long-Term Plan for Towns fund we secured for the area.

The Council achieved its first interim target of reducing carbon emissions by 25 per cent (5,710 tonnes) by March 2023. We continue to improve the energy efficiency of the Borough. In 2023 we completed two innovative renewable energy schemes, one in Jarrow and one in Hebburn delivering a combined carbon saving of 1,355 tonnes per year. We still have ambitions to bring forward a scheme as part of the Holborn Riverside regeneration project.

As we consider the budget for 2024/25, we do so in a challenging financial landscape. Just like residents and businesses, the Council is faced with high inflation and increased costs.

Our financial pressures remain. After over a decade of austerity we are a leaner organisation but with over half of our funding slashed we continue to incorporate learning from the challenges we have faced to create efficiencies and achieve best value for money. Innovation in the use of technology and more agile ways of delivering services will be embedded into our future plans as we look to redesign our delivery in coproduction with residents and businesses.

We have been very successful in attracting millions of pounds of external funding for the Borough including £20m from the third round of the Levelling Up Fund for Holborn Riverside, and a further £20m for Jarrow from the Long-Term Plan for Towns fund. The Borough has also been named a Levelling Up Partnership Area.

We continue to do all we can to leverage any funding opportunities available to us to bring forward transformational projects for South Tyneside. Working with our regional partners, the £4.2billion devolution deal for the North-East secures important decision-making powers and investment for our region and for South Tyneside. This will allow us to make decisions that reflect local needs and invest wisely into projects that will make a difference for all our residents, communities, and local economy. We will take every opportunity to attract additional investment above and beyond our core Council funding.

The commitments within the deal to building better homes, investing in jobs and skills, transport, and taking major steps to net zero are important factors in addressing system inequalities that exist within our society.

Continuing pressures in adult and children's social care are not new, yet they continue to grow despite the amazing efforts we are making to work with service users to co-produce and redesign our services. Around 70% of our discretionary budget is spent on social care alone. Consequently, that is why we are investing in three new extra care accommodation schemes across the Borough and two independent supported living schemes to support residents who may need additional help to live independently in the community. Alongside these, work on new residential children's homes have started on site to almost triple the number of placements in South Tyneside for looked-after children and young people. By investing where we need it most, we will look to bring down some of our social care costs in the future.

As a Council, we continue to seek certainty from Central Government on long-term funding to cover increased cost pressures and rising demand and in to invest in local services so that we can change lives and communities for the better.

Despite ongoing financial pressures, with this year’s Medium Term Financial Plan, we have continued to listen to residents and businesses, considered the evidence underpinning our decision making and aligned our resources to our 20-year vision and ambitions. We have set a balanced budget that continues delivery of our transformational projects for the future whilst supporting residents in the challenges they face today.

This Medium Term Financial Plan (MTFP) is our strategic financial plan incorporating the priorities for investment for the Council and the community.

Chapter 1 Financial Context

Introduction from the Lead Member Governance, Finance & Corporate Services, Cllr Joanne Bell

Medium Term financial planning is a key part of South Tyneside's policy and budget framework. Driven by our South Tyneside Council Strategy and the ambitions within it, it sets out our strategic approach to the management of our finances, within which delivery of our priorities will be progressed.

Like all local authorities, South Tyneside Council operates within a framework of statutory obligations that are shaped by wider political and legislative powers. This document covers the period 2024-25 to 2028-29 and is subject to annual review. This helps to ensure our financial planning is responsive to changing national and local factors, considering emerging risks and to protect our financial health. This document also sets the Council's budget for 2024-25.

Our key financial planning principles are:

- Financial sustainability over the long and short-term
- Planning over multi-year horizon
- Alignment of decisions with Strategic Priorities
- Availability of investment and savings choices which are clear and transparent
- Explicit linkages between capital budgets and revenue investment / costs
- Risk mitigation against existing and emerging macro cost pressures

Working with our partners, we have delivered a huge range of services and successful outcomes for both the residents and businesses of South Tyneside, including:

- Manage 550km of road and 1700km footway
- Welcome 6.3m visitors to the Borough
- Support over 22,000 children in their nursery, primary and secondary education
- Handle over 300,000 customer contacts
- Process over 60,000 benefit applications and changes
- Manage over 16,000 Council homes
- Process 730 planning applications
- Empty 6.5m bins
- Investigate 11,000 noise complaints
- Inspect 600 food outlets
- Process 3,100 licenses and permits
- Support 2,500 to access assistive technology to remain independent
- Deal with 21,000 new adult social care contacts
- Support 3,500 adult leaners
- Manage 2,000 referrals to Children's Social Care
- Support 3,000 'in need' children and young people (including children in care or on a child protection plan or care leavers)
- Maintain 1.2m trees
- Host 1.5m admissions to Council leisure facilities
- Support 4,300 individuals with special educational needs
- Cut 550 hectares of grass
- Manage over 140 industrial units

Financial Challenge

These are seriously challenging times for local people, businesses and for local councils. Across the country, councils are grappling with balancing budgets and keeping frontline services going. Despite some more recent falls in inflation, the cost-of-living crisis continues to be clearly and understandably at the forefront of people's minds and a key focus for the Council whilst also dealing with rises in living costs, energy and fuel costs.

This coupled with increases in demand for Adults and Children's social care post Covid-19 and the increased costs of these services means that the Council needs to spend more money to continue to deliver our current services. Recent Central Government announcements including the recent provisional settlement and economic forecasts indicate that future funding for councils beyond the lifetime of this parliament will be extremely tight.

In 2021 Central Government announced major changes to adult social care funding in respect of how we pay for care and how individuals pay towards the cost of their care. Whilst some aspects have been delayed, the financial impact of the reforms has the potential to be significant and there remains a great deal of uncertainty associated with this going forward, particularly if the costs of the reforms are not fully funded by Central Government.

We continue to adapt to our evolving circumstances and explore new and different ways to deliver our services in the context of a reducing core Government grant. We also review our comparative spending levels with other authorities by reference to tools such as the Cipfa Resilience Index. Our core Central Government funding has reduced by 52% since 2010. A series of one-year financial settlements from Central Government makes taking a long-term view of services and finances extremely difficult.

The Council receives 63% of its income from Council taxpayers, retained business rates and use of reserves. Previous cuts to Central Government funding and demand pressures have meant that councils now rely significantly more on local tax revenues for their overall funding. The budget has been calculated incorporating an increase of 4.95% in Council Tax for 2024/25. 2% of this increase relates to the adult social care levy contributing towards the funding gap within Adult Social Care services.

Assessing Potential Impacts

Councils have a duty under the requirements of the Equality Act 2010 to consider the impact of their decisions on people with ‘protected characteristics’. There are nine protected characteristics identified by the Act: age, disability, gender reassignment and identity, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

We are committed to embracing the principles of equality, diversity, inclusion and belonging (EDIB) in everything that we do. For example, we now have an elected member portfolio and lead, an elected member champion to promote the principles of EDIB, established clear equality objectives and re-affirmed our commitment against racism by formally signing an Anti-Racism charter.

We have also taken steps to increase and positively acknowledge the diversity within our workforce through several collaborative forums as well as an ongoing survey to better understand the characteristics of our workforce. One of our new core ambitions is also to “target support to make things fairer” which will underpin our aim of reducing inequality.

As part of setting our budget we carry out Equality Impact Assessments (EIAs) of proposals that will result in a change to services or policies in the next financial year to understand the impact of these changes on our population and to make sure we do not discriminate against individuals or groups. This will support us in making fair, transparent and evidence – based decisions.

Sustainability

We are committed to supporting a sustainable Borough which deals with the challenges of climate change. The Council agreed a strategic plan, “Sustainable South Tyneside 2020-25” to move towards a carbon neutral future. The Council continues to lead the Sustainable South Tyneside agenda, mobilising investment and delivering a range of projects to reduce greenhouse gas emissions from the Council’s operational activities.

Major projects include investment in renewable energy schemes across the Borough which will significantly cut carbon emissions whilst providing heating and electricity to a number of buildings. We are also delivering the Stronger Shores project with nature-based solutions which will help protect against coastal erosion and flooding.

We are supporting awareness and behavioural change around climate change, promoting a shift towards sustainable and active modes of transport. This includes adoption of a hybrid working policy within the Council which has reduced emissions from fewer private car journeys. We are also investing in greater electrification of our own vehicle fleet and continuing the replacement of street lighting with energy efficient LED bulbs.

Chapter 2 Revenue Budget

How we Fund our Budget

1. The table below sets out the Council's forecast level of funding for the period 2024-25 to 2028-29. The table indicates that the Council has four main sources of funding; government grants, council tax, business rates and council reserves.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Government Funding					
Revenue Support Grant	18.459	18.828	19.205	19.589	19.981
Business Rates Top Up	38.169	38.932	39.711	40.505	41.315
Services Grant	0.345	0.345	0.345	0.345	0.345
Sub Total Government Funding	56.973	58.105	59.261	60.439	61.641
Collection Fund					
Council Tax	75.380	78.428	82.456	85.712	89.064
Retained Business Rates	14.890	15.188	15.492	15.802	16.118
Collection Fund Contribution	1.420	0.500	0.200	0.200	0.200
Sub Total Collection Fund	91.690	94.116	98.148	101.714	105.382
Use of Reserves					
General Use of Reserves	8.869	4.793	0.051	(1.714)	(3.309)
Sub Total Use of Reserves	8.869	4.793	0.051	(1.714)	(3.309)
Total General Fund Budget	**157.532**	**157.014**	**157.460**	**160.439**	**163.714**

Government Funding

2. The Local Government Finance Settlement announced in December 2023 only provided confirmation of funding for 2024/25.

3. The provisional settlement was announced on 18 December 2023, followed by the final settlement on 5 February 2024. Our core spending power will increase from £183.9 million to £198.0 million, an increase of 8.4%, which compares with an all-England average of 7.5%. This includes:

   - Settlement Funding Assessment increase from £68.6 million to £71.8 million, an increase of 4.6%. The increase of £3.2 million relates to:

     i. The Revenue Support Grant (RSG), which will increase from £17 million to £18.5 million, an increase of 8.8%;
     ii. Baseline Funding Level, which is the Government's notional measure of business rates income due to councils and incorporates the Business rates Top-Up Grant has increased from £51.3 million to £53.3 million, an increase of 3.9%.

   - Improved Better Care Fund will remain at £10.5m for 2023/24, the same as received in 2023/24.

- New Homes Bonus will increase from £0.004 million to £0.011 million, an increase of 175% compared to an all-England average increase of 0.003%. This is due to an increase in the number of new and affordable homes delivered in the Borough in 2023 compared to 2022.

- Social Care Grant will increase from £16.7 million to £22.011 million, an increase of 31.1% compared with an all-England average increase of 23.6%. £3.3m of the increase is the in relation to the additional funding announced by central government in 2022 from delaying the rollout of adult social care charging reform, however the funding has still been made available to local authorities to help meet the current pressures in social care. An additional £1.9m was also allocated following a £500m increase to the Social Care grant nationally in the final settlement following significant lobbying to government through the provisional settlement consultation.

- Market Sustainability and Fair Cost of Care Grant will increase from £2.143 million to £4.004 million, an increase of 86.8%, compared to an all-England average increase of 86.8%. This funding, which totals £1,050 million nationally, is the third instalment of the additional funding highlighted in the Spending Review 2021 for the reform of adult social care.

- Services Grant will reduce from £2 million to £0.345 million, a decrease of 82.7% compared to an all-England average reduction of 81.9%. This is because the funding has been reallocated to uplift other grants within the settlement, including Settlement funding assessment (above) and the 4% minimum funding guarantee announced by government.

- Discharge Fund Grant will increase from £1.470 million to £2.450 million, an increase of 66.7% compared to an all-England average increase of 66.7%. This funding, which totals £500 million nationally to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Local Authorities will be required to pool this funding as part of the Better Care Fund.

- Government assumption that council tax will increase by 4.99%.

Council Tax

4. Section 30 of the Local Government Act 1992 requires the Council to set an amount of council tax for each financial year for each category of dwellings in its area.

5. A council tax bill is made up of several different charges. Alongside the charge to fund council services, which is inclusive of levies from external bodies to support functions such as transport and flood defence, the overall council tax level set for the Borough includes precepts for the Tyne & Wear Fire and Civil Defence Authority and Northumbria Police and Crime Commissioner. From 2017/18 councils with responsibility for adult social care have been given the ability to raise council tax by an additional levy to cover a funding shortfall in this area. The figures below include

a 2% increase in respect of Adult Social Care and a 2.95% annual increase. Due to the pressures within Adult Social Care, there will still remain a significant funding gap.

6. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding:

A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

7. Thus giving the following council tax amounts for the South Tyneside area (including a 2% precept to fund adult social care but excluding other precepts).

Valuation Band	South Tyneside Council £
A	1,280.11
B	1,493.48
C	1,706.82
D	1,920.18
E	2,346.88
F	2,773.59
G	3,200.29
H	3,840.36

8. To these must be added the precepts of Tyne & Wear Fire and Civil Defence Authority and the Northumbria Police and Crime Commissioner. At this stage, we have not received the final notification of the agreed precepts for the Tyne and Wear Fire and Civil Defence Authority and the Northumbria Police and Crime Commissioner for 2024/25, therefore we have calculated increases of 2.99% and £13.00 respectively based on the indicative increase still to be agreed from Tyne and Wear Fire and Civil Defence Authority, and the maximum increases permitted without holding a referendum for Northumbria Police and Crime Commissioner. The final, confirmed precepts are expected to be known by the time Council meets on 22 February 2024. Should the actual precepts differ from the estimates provided, Cabinet budget recommendations to Council will be updated to reflect any change.

Valuation Band	Tyne & Wear Fire and Civil Defence Authority £	Northumbria Police & Crime Commissioner £
A	63.41	121.23
B	73.97	141.43
C	84.54	161.64
D	95.11	181.84
E	116.25	222.25
F	137.38	262.66
G	158.52	303.07
H	190.22	363.68

9. These result in the following council tax amounts (including precepts):

Valuation Band	South Tyneside Council £
A	1,464.75
B	1,708.88
C	1,953.00
D	2,197.13
E	2,685.38
F	3,173.63
G	3,661.88
H	4,394.26

Retained Business Rates

10. The Council collects Business Rates in the Borough and keeps 50% of the collected rates income. The other 50% is passed to Central Government which is then distributed back to councils as a top-up grant to reflect individual spending requirements.

Council Reserves

11. The Council aims to establish reserves based on financial risk and limit the use of reserves to support on-going spending. More detail on our risks and reserves held is shown in Chapter 3.

Budget Pressures and Investment

Priority Investment

12. Our investment choices are guided by our strategic risks. For example, we are investing in capacity for the Help to Live at Home service, recognising the significant risk of additional costs from increased demand in Adult Social Care, as well as financial risks around inflation, energy prices etc.

13. Work continues to further align our resources to achieve our priorities and to generate future savings through our five-year budget planning process.

14. A list of the priority investment for 2024/25 is shown in the table below:

Priority Investment	Directorate	Amount £m
Help To Live at Home Programme - Trusted Assessors	Adult Social Care & Commissioning	0.200
Shared Lives Review	Adult Social Care & Commissioning	0.075
Total Priority Investment		**0.275**

Inflationary and Standstill Pressures

15. Price inflation is currently reducing from a historical high of 11% at the beginning of 2023/24 to around 4% currently. Many of our contracts (especially our adult social care contracts) are linked to various inflation factors in the Consumer Price Index, including the national living wage. There have also been unprecedented increases in utility costs as well as unexpected increases in pay awards. Demands upon adults and children's social care continue to increase as an after effect of the Covid-19 pandemic. This all means that the Council must spend considerably more just to continue providing the same services. A list of the standstill pressures for 2024/25 and estimates for 2025/26 to 2028/29 is shown in the table below:

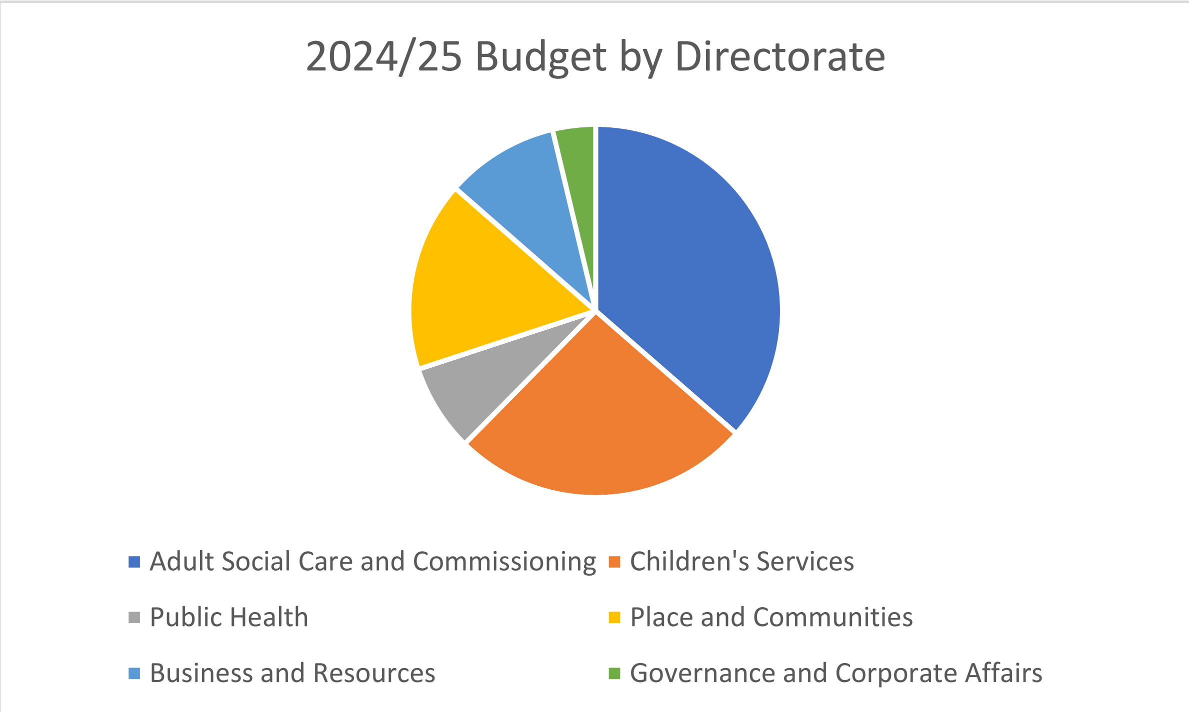
	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Inflation					
Cost of Living Increase	6.000	2.300	2.300	2.400	2.400
Net Inflation on prices and income	8.233	3.499	2.916	2.416	2.416
Sub Total Inflation	14.233	5.799	5.216	4.816	4.816
Other Pressures					
Revenue Implications of Capital Programme	4.825	-	(2.500)	-	-
Adult Services Demographic Pressures	1.500	1.500	1.500	1.500	1.500
Children's Services Demand Pressures	3.933	-	-	-	-
Forecasted Pressures	0.513	1.000	1.000	1.000	1.000
Sub Total Other Pressures	10.771	2.500	0.000	2.500	2.500
Changes to External Grant					
Changes in External Funding	(2.528)	-	-	-	-
Sub Total Changes to External Grant	(2.528)	-	-	-	-
Total Revenue Standstill Pressures	**22.476**	**8.299**	**5.216**	**7.316**	**7.316**

Summary Medium Term Financial Position

16. Taking into consideration our funding, priority investment and standstill pressures, the table below gives a summary of our medium-term financial position for 2024/25 to 2028/29.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Base Budget	152.324	157.532	157.014	157.460	160.439
Priority Investment	0.275	-	-	-	-
Standstill Pressures	22.476	8.299	5.216	7.316	7.316
Funding Available	(157.532)	(157.014)	(157.460)	(160.439)	(163.714)
Budget Gap	17.543	8.817	4.770	4.337	4.041
To be addressed by					
Specific Grants	(10.513)	(1.062)	(1.270)	(0.837)	(0.541)
Service Efficiencies	(7.030)	(7.755)	(3.500)	(3.500)	(3.500)

17. The diagram below shows our revenue budget for 2024/25 by Directorate. Appendix 1 provides more detail on the 2024/25 budgets for each service.



Budget Savings

18. The funding we estimate to receive from Central Government and from council tax payers over the next five years is insufficient to cover our current level of spend plus our new budget pressures. Therefore, to make sure we can continue to focus spending on our priorities and ambitions, we have identified proposals for reducing spending, generating income and increasing efficiency across all of the Council's

services for 2024/25 and 2025/26. This will mean that our spending plans are affordable and match the money we expect to receive. Further work will be required to address funding gaps from 2026/27 onwards.

19. Plans for reducing spending, delivering new models of service, additional income and increasing efficiency in 2024/25 and 2025/26 are shown in the following table.

Budget Savings	**2024/25 £m**	**2025/26 £m**
Adult Social Services & Commissioning		
Use of Technology	-	0.300
Review of double handed care requirements	0.100	0.350
Better co-ordination of Independent Supported Living Costs	-	0.300
Improved Independent Supported Living Accommodation offer	-	0.450
Rationalisation of Learning Disability provision	-	0.200
Review of Help To Live At Home costs	0.150	0.400
Medications and Wellbeing Service implementation	0.350	-
Rationalisation of Short Term Care Home placements	1.000	-
Additional income in relation to health related care costs	1.000	-
Reduced Residential Care demand through Help to Live at Home and Extra Care	-	0.500
Rationalisation of 1:1 Residential Care placements	-	0.100
Shared Lives expansion	-	0.400
Implementation of Provider Portal	0.100	-
Review of Internal Day Services provision	0.150	-
Reduction in Transport Costs	0.150	-
Sub Total Adult Social Services & Commissioning	3.000	3.000
Business and Resources		
Improved collection and management of tax base	-	0.920
Retained Business Rates - additional collection	-	0.250
Contingency Reduction	0.209	0.218
Debt Charges	0.400	0.400
S31 Grant Business Rates Relief additional funding	0.159	-
Deletion of posts through vacancy management - Council Wide	0.933	1.063
Additional Leisure Income	0.200	0.200
Sub Total Business and Resources	1.901	3.051
Children's Services		
In-House Fostering development	0.050	0.200
In-House Residential Capacity	0.100	0.200
Children with Disabilities Services review	-	0.100
Reduced number of young people requiring a care episode	0.100	0.600
School Meals Charges review	-	0.100
Home to School Transport review	0.059	0.104
Sub Total Children's Services	0.309	1.304

Public Health		
Public Health commissioned contracts review	0.320	-
Sub Total Public Health	0.320	
Place and Communities		
Parking Charges review	0.300	0.100
Energy costs reduction	0.700	0.300
Waste Disposal tonnages reduction	0.300	-
Business rates reduction from consolidation of operational buildings	0.200	-
Sub Total Place and Communities	1.500	0.400
Total Savings	**7.030**	**7.755**

Dedicated Schools Grant (DSG)

20. The Council will receive £170.566m (£156.584m 2023/24) Dedicated Schools Grant (DSG) in 2024/25 which is ringfenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in South Tyneside and external commissioned High Needs places, which is estimated to be £51.661m (£48.670m 2023/24).

21. DSG is allocated over four blocks of funding. Local authorities can only switch resources between blocks with the permission of the Schools Forum and / or Secretary of State. The four blocks through which DSG is allocated consists of:

- Schools block covering provision in mainstream schools from Reception to Year 11. The 2024/25 notified allocation is £123.174m (£115.640m 2023/24) before recoupment.

- Central Services Schools block which covers commitments such as Admissions and certain prescribed statutory and regulatory duties. The 2024/25 notified allocation is £1.731m (£1.919m 2023/24).

- Early Years block covering nursery schools, nursery classes and Private Voluntary and Independent sector providers of early years provision (PVIs). The 2024/25 notified allocation is £15.669m (£10.720m 2023/24).

- High Needs block covering pupils with high needs – defined by the DfE as those requiring provision costing in excess of a given threshold. The 2024/25 notified allocation is £29.991m (£28.305m 2023/24) before recoupment.

Chapter 3 Risks & Reserves

Risk Assessment

22. Over the medium-term the Council faces continuing financial pressures as well as investment needs and has refocused its priorities and built budget redirections and savings targets into the spending plans for 2024 to 2029. The Council carefully identifies the things that could go wrong and might undermine the MTFP.

23. To do this an assessment is made of what the impact would be if these things happen and how likely they are to happen. The Council ensures that it has plans in place in case things do not turn out as expected. This is part of our risk management strategy, which underpins all that we do, not just our financial plans.

24. The significant financial risks are identified on the Council's strategic risk register. They have all been assessed as part of the strategic planning process. These risks are being actively managed and the estimated financial implications have been built into this MTFP.

25. Some of our strategic risks have been assessed as particularly uncertain with a potentially significant financial impact. Reserves have been established for these risks.

26. The following table identifies the key risks to the delivery of the MTFP, the actions taken (within this financial plan) and the actions proposed to reduce the impact of these risks on the Council's future financial position.

Strategic Financial Risk and Risk Management

Risk to the delivery of the MTFP	Risk Managed by:	Risk Rating
Risk that the demand for services (adults and children) could increase further than estimated and that the volatile demand led budgets are not rigorously managed.	Revenue spending is monitored on a monthly basis as part of the Council's corporate performance monitoring framework. Strategies to support independence, choice, early intervention and sustainability have been developed and are being implemented.	High
Risk that the funding required to meet external inspection standards across adults and children's social care is insufficient.	Transformation programme in place across adult social care. Multi-agency improvement board in place for children's social care and work with regional DfE lead for improved resources.	High
Risk that inflation, interest rates, energy prices etc do not stabilise in the medium to long term.	Regular monitoring of the MTFP and reporting to Cabinet/ Borough Council to identify and understand inflationary and other cost pressures. Regular review of capital financing requirements.	High

Risk that the Council is unable to align its resources to its ambitions.	Collaborative approach to budget and service planning ensures that any new investment/ savings decisions are assessed against delivery of the Council ambitions.	Medium
The Council is unable to deliver its financial plans.	The achievement of the MTFP is imperative and is monitored every month as part of our performance monitoring process incorporating challenge to budget holders and corporate oversight.	Medium
Future Government plans to revise the system of funding for Local Government may result in a reduction in resources greater than already forecast.	Future changes to the funding system will be analysed and the impact on resources will be factored into the MTFP. With partners we are campaigning for fair funding.	Medium
The cost of commissioned care may increase due to the national living wage and inflationary pressures.	The Council has anticipated cost pressures in this area within its financial plans.	Medium
Financial pressures and demands associated with the national health service resulting in additional social care costs.	Integrated working with health partners across the whole system of health and social care is embedded.	Medium
Uncertainty over the future funding of the capital programme.	We maximise the availability of capital receipts and external funding to support the capital programme thereby reducing the call on Council borrowing. Affordability of borrowing is regularly assessed and monitored.	Medium
Emergency event occurs e.g. major flooding incident / loss of ICT systems / significant traffic incident / flu pandemic which incurs additional unbudgeted costs and loss of income.	During the Covid-19 pandemic we lobbied for and received additional funding from Central Government. Where additional funding wouldn't be received the Council maintains a Strategic Reserve to meet unforeseen liabilities and is building up an self- insurance reserve.	Medium

Planned Use of Reserves

27. The level of Council reserves is reviewed annually in line with CIPFA guidance. Our Reserves Policy is shown at Appendix 2.

28. Our forecast Use of Council reserves is shown in the table below.

Council Reserves	Unearmarked General Fund Reserve £m	Future Funding Reserve £m	Earmarked Reserves £m	School Reserves £m	Deficit Schools and LA DSG Balances £m	Total Reserves £m
Estimated Balance as at 31st March 2024	11.659	4.330	23.167	4.053	(6.346)	36.863
Planned Use of Reserves in 2024/25	(1.482)	(1.250)	(7.556)	-	-	(10.288)
Estimated Balance as at 31st March 2025	**10.177**	**3.080**	**15.611**	**4.053**	**(6.346)**	**26.575**
Estimated Balance as at 31st March 2025	10.177	3.080	15.611	4.053	(6.346)	26.575
Planned Use of Reserves in 2025/26	-	(1.250)	(4.043)	-	-	(5.293)
Estimated Balance as at 31st March 2026	**10.177**	**1.830**	**11.568**	**4.053**	**(6.346)**	**21.282**
Estimated Balance as at 31st March 2026	10.177	1.830	11.568	4.053	(6.346)	21.282
Planned Use of Reserves in 2026/27	0.835	-	(1.086)	-	-	(0.251)
Estimated Balance as at 31st March 2027	**11.012**	**1.830**	**10.482**	**4.053**	**(6.346)**	**21.031**
Estimated Balance as at 31st March 2027	11.012	1.830	10.482	4.053	(6.346)	21.031
Planned Use of Reserves in 2027/28	-	-	1.514	-	-	1.514
Estimated Balance as at 31st March 2028	**11.012**	**1.830**	**11.996**	**4.053**	**(6.346)**	**22.545**
Estimated Balance as at 31st March 2028	11.012	1.830	11.996	4.053	(6.346)	22.545
Planned Use of Reserves in 2028/29	-	-	3.109	-	-	3.109
Estimated Balance as at 31st March 2029	**11.012**	**1.830**	**15.105**	**4.053**	**(6.346)**	**25.654**

Chapter 4 Housing Revenue Account

29. The Housing Revenue Account (HRA) is required to be maintained by councils who provide housing accommodation. It records the income and expenditure in relation to the management and maintenance of homes and keeps this separate from other council activity.

30. All rents collected are retained in this separate account; they support the management, day-to-day repairs and maintenance, and a capital investment programme which includes planned renewals, improvements to homes and major repairs.

31. South Tyneside Homes Limited have been delegated management of the housing service under the terms of a management agreement with the Council, approved by the Secretary of State under section 27 of the Housing Act 1985.

32. The Council retains a legal duty to set a budget, which avoids an unplanned deficit on the Housing Revenue Account, a duty which cannot be delegated. The Council also retains ownership of the homes, sets the level of rents and charges and is the landlord under the tenancy agreements.

33. The following table shows provisional HRA expenditure and income plans for the following 5 years.

Housing Revenue Account	**Budget 2024/25 £m**	**Provisional Budget 2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**
Expenditure					
Management	19.178	19.782	20.224	20.667	21.127
Repairs & Maintenance	18.929	19.308	19.695	20.089	20.491
Rents, Rates, Taxes, Insurance	2.968	3.037	3.107	3.180	3.254
Provision for Bad Debts	0.299	0.305	0.311	0.317	0.323
Capital Programme Investment	29.448	29.432	29.420	29.411	29.406
Debt Charges	10.344	10.349	10.354	10.359	10.364
Other Capital Charges	0.055	0.056	0.057	0.058	0.059
TOTAL Housing Revenue Account Expenditure	**81.221**	**82.269**	**83.168**	**84.081**	**85.024**
Income					
Rents - Dwellings	(73.558)	(73.493)	(74.950)	(76.428)	(77.928)
Income - Other Services / Property	(3.519)	(3.602)	(3.686)	(3.773)	(3.862)
Contributions & Interest	(1.624)	(1.652)	(1.681)	(1.711)	(1.741)
TOTAL Housing Revenue Account Income	**(78.701)**	**(78.747)**	**(80.317)**	**(81.912)**	**(83.531)**
(Surplus) / Deficit on Housing Revenue Account	**2.520**	**3.522**	**2.851**	**2.169**	**1.493**

Housing Revenue Plans for 2024/25

34. Rent levels are proposed to increase on average by 7.7% in line with Government guidelines. Reserves are planned to be prudently applied in the next few years to support the Housing Capital Programme.

Service Charges for 2024/25

35. Most service charges for 2024/25 are proposed to be increased by 6.7% as set out in Appendix 3.

Chapter 5 Tyne & Wear Pension Fund

36. The Council administers the Local Government Pension Scheme for the Tyne and Wear and Northumberland County areas and is responsible for agreeing the Pension Fund budget each year. The cost of the Pension Fund does not fall directly on the council taxpayer.

37. The table below summarises the spending plans for the Fund for 2024/25 and provisional spending plans for 2025/26 and 2026/27. This was approved by the Pensions Committee on 30th January 2024.

Budget 2023/24 £m	Tyne and Wear Pension Fund	Budget 2024/25 £m	Provisional Budgets 2025/26 £m	2026/27 £m
174.913	Investment Management Expenses	207.178	223.386	252.870
1.528	Investment Office	1.499	1.554	1.547
176.441	**Total Investment Office**	**208.677**	**224.940**	**254.417**
3.886	**Pensions Office**	**4.347**	**4.097**	**4.180**
1.064	**Governance and Funding Office**	**1.100**	**1.206**	**1.141**
181.391	**Total Pensions Service**	**214.124**	**230.243**	**259.738**

38. The budget for 2024/25 shows an increase of £32.733m over the revised 2023/24 budget. Further increases are projected of £16.119m in 2025/26 and £29.495m in 2026/27.

39. Investment management expenses dominate the budget. This budget has been formulated in line with industry best practice and is a full estimate of the fees, expenses and costs associated with the investment management of the Fund.

40. The table below analyses the budget proposal for the next three years.

	2024/25 £m	2025/26 £m	2026/27 £m
Base Budget	181.391	214.124	230.243
Investment Management Expenses	32.265	16.208	29.484
Standstill Pressures	0.380	0.131	0.035
Budget Growth/New Initiatives	0.484	0.230	0.175
Savings	(0.396)	(0.450)	(0.199)
Revised Budget	**214.124**	**230.243**	**259.738**

41. The increase in investment management expenses is attributed to increased costs related to private market investments which typically attract higher fees and expenses than quoted assets, but also have produced greater investment returns net of fees and expenses. The Fund is increasing its use of these type of investments over the next few years which is leading to a material increase in fees and expenses over the period.

42. The Investment Management expenses line also includes the costs and expenses incurred in transacting the Fund’s assets. For the next two years, significant costs are expected to be incurred in moving assets to an investment management company, part owned by the Fund, called Border to Coast Pensions Partnership. This stems from a Central Government directive whereby Local Government pension funds have been asked to combine their assets to create larger investment pools. As assets transfer to Border to Coast, costs are incurred. These costs are offset by longer term savings and improved investment outcomes. By 2025/26, it is expected that most of the Fund’s assets will have transferred to Border to Coast and these costs will then fall out of the budget.

43. As in previous years the standstill pressure increases relate mainly to staffing costs and other inflationary increases included within contracts. Most of the changes in the budget relate to regulatory changes, essential development or contractual inflation and as such they are included as standstill pressures. In 2025/26, there is a smaller increase in standstill pressures, this is because increased costs are partially offset by some temporary contracts established to help deliver some specific regulatory changes which are due to come to an end. In 2026/27 the Investment Advisors and Actuary budgets are lower following the completion of the triennial valuation.

44. The growth in the budget relates to new external ICT modules to improve productivity and in 2024/25 there is £0.100m for an ICT refresh programme. There is also an increase of £0.200m in the budget for investment accounting software for 2024/25 with the existing supplier having ceased trading.

45. There have been a number of savings identified. The largest is in relation to the ongoing operating charges from Border to Coast, which are falling by £0.221m in 2024/25. This is because Border to Coast is moving into a business as usual phase, with reduced development work. Further savings have been achieved over the three-year period within the ICT budget line relating to modules purchased in the previous years dropping out. The budget for progressing with overseas tax claims drops out of the budget in 2024/25, on the basis that the claims should all be settled in 2023/24.

Chapter 6 Capital Strategy & Budget

Capital Investment Programme

46. The Capital Investment Programme sets out our investment plans over the next 5 years to support regeneration and help achieve our Ambitions as set out in the refreshed vision and newly adopted Council Strategy which is very much centred around people. We want South Tyneside to be a place where people live healthy, happy, and fulfilled lives. This will be underpinned by our ambitions, which use our resources as efficiently and effectively as possible to ensure services are provided in areas where they are needed.

47. As national and global uncertainty continues, we know that delivering our plans will be challenging. However, as we have done over the last decade, we will stay true to our ambitions and continue forward in partnership with the passion, determination, and resilience that have become the solid hallmark of the residents and institutions of South Tyneside.

48. The capital programme is financed by a mixture of external funding, government grants, borrowing and capital receipts from sales of our assets. These receipts are generated through the disposal of Council land and buildings that are surplus to Council requirements. The target level of borrowing is affordable, prudent, sustainable and consistent with our revenue budget forecasts.

49. External funding streams have been secured to support the funding of the programme. These include regional funds applied locally to support the overarching economic objectives of the wider region.

Building on strong foundations.

50. Over the last decade, despite the huge challenges posed by national austerity we delivered significant investment, transformational physical regeneration and a range of service improvements some of which are detailed below:

- £100m invested in South Shields regeneration, transforming the Borough’s largest town.
- £35m invested in local roads and footpaths.
- £200m invested in new or improved School buildings.
- Improved connectivity, including £8.1m Arches Improvements, £21m South Shields Transport Interchange, £7.5m Lindisfarne/John Reid Road improvements and £120m Testo’s Roundabout works.
- ‘Nationally significant’ International Advanced Manufacturing Park established, which will attract £400m private investment and create thousands of jobs (we have already attracted a new Electric Vehicle battery factory to IAMP).
- Completion of realignment to part of A183 Coast Road to move inland due to ongoing erosion to ensure protection to coastline.

- £32m invested in leisure facilities throughout South Tyneside at Haven Point, Monkton Stadium, Jarrow Focus and Hebburn Central to improve the experience for leisure users resulting in an increase in memberships from 414 to 9,000 in the last 10 years supporting residents to lead healthy and active lifestyles.
- Two of our flagship renewable energy schemes, at Hebburn and the Viking Energy Network at Jarrow, complete and become expected to cut annual carbon emissions by 1,400 tonnes making a major contribution to our goal of carbon neutrality by 2030.
- Ongoing investment in our award-winning beaches and parks, including £3m North Marine Park improvements and £5m Littlehaven Promenade and Seawall.

Capital Programme supporting Council Vision:

51. We have five 'Ambitions' – the things we want to achieve over the next 20 years to help deliver our Vision. These five Ambitions will guide everything we do. The capital programme will help support revenue investment to achieve each ambition through some of the major projects detailed below. The complete spending plan can be found with the Capital and Investment Strategy in Appendix 4.

52. We want all people in South Tyneside to be:

Financially Secure

Residents will be financially secure. They will have what they need for a good standard of living.

Healthy and Well

Residents will enjoy good mental and physical health throughout their lives. They will have the best start in life and be able to age well.

<u>Mortimer Community College</u>
Mortimer Community College is a popular oversubscribed secondary school within the area of South Shields. Plans have commenced to extend the school in order to accommodate more students. The plans are proposing the addition of specialist teaching classrooms including extra Science, ICT, Art, Maths and Technology. The aim is to increase the Pupil Admission Numbers from 1,050 to 1,200 by 2028 - an increase of 25 students per year group over a five-year period.

CGI of Mortimer Expansion

Other programmes include:

- Works to improve road safety for school children outside the front of schools.
- Improvements to existing playing pitches and changing facilities to assist in promoting sport within the Borough.
- Upgrade to coastal cycling and walking routes has commenced to help improve safety for pedestrians and cyclists whilst supporting the ambition of getting more people involved in sustainable travel and improving health and wellbeing.

Connected to jobs

Residents will have access to jobs, skills, and learning. They will have the skills and confidence to apply for a wide range of quality local jobs. These jobs will be in key and growing areas of employment and benefit all our Borough.

Work is continuing to relocate South Tyneside College into South Shields Town Centre and we will work with the College to equip local people with the skills and qualifications needed for future opportunities in the low carbon, digital and advanced manufacturing sectors as well as much needed capacity within our health and care workforce including the development of our care academy.

CGI of student accommodation

Plans for the new look town centre continue with demolition work to clear the last site needed to facilitate the proposed relocation of South Tyneside College. Planning approval has been given for the 140-bed student accommodation block, as well as a 14,000 sq. m modern main campus and the refurbishment of a listed building on Barrington Street, which would house staff accommodation and facilities.

Other programmes include:

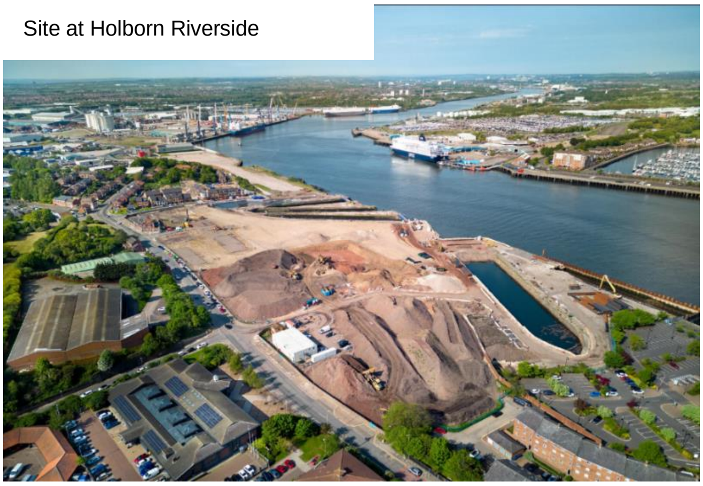
- External funding from the Department for Transport utilised for carriageway resurfacing and various road safety initiatives to support the highways asset management plan.
- In partnership with Sunderland City Council we are continuing to develop a joint strategic employment site, the International Advanced Manufacturing Park (IAMP), north of Nissan and west of the A19. The development is well underway with the new gigafactory battery plant making good progress with the aim to be fully operational in 2025.

Progress of new gigafactory


Part of strong communities

Residents will live in clean, green, and connected communities where they feel safe.

Site at Holborn Riverside



The Council continues its transformation of Holborn Riverside into a vibrant mix of new dwellings and office space with completion of extensive remediation and civil engineering works on the site to prepare for the next phase of development where another 144 homes will be constructed, increasing the residential population in and around the town centre. As part of the scheme, three of the dry docks are being restored to preserve the area's industrial heritage and a new riverside promenade will also be built to open this stretch to the public for the first time in over 100 years.

Civil engineering works on the Holborn site are also delivering major ground improvements, removing redundant structures and alleviating flood risks to help support future development.
The Council is also committed towards a sustainable future, striving towards carbon neutrality across Council buildings and operations by 2030.

Other programmes that contribute towards this agenda and ambition include:

- Subject to securing external funding, continued investment in renewable energy schemes at Holborn Renewable energy centre to utilise a combination of renewable technologies to create an innovative energy network to provide heating and electricity to a number of new and existing buildings in the area. This scheme has the potential to cut carbon emissions by 22% whilst saving the Council on energy costs.

- Using externally sourced funds to deliver the Stronger Shores project which will deliver a number of innovative resilience actions, including restoration of sub-tidal habitats to protect against coastal erosion and flooding.

- A fleet replacement programme, projected over the next 8 years, intended to renew and replace vehicle assets at the optimum time to drive maximum value and usage whilst at the same time minimising the exposure to increased maintenance, repair, running and hire costs.

- The housing capital programme will ensure that homes we maintain are safe for our tenants, continue to meet decent homes standards and that they are compliant with all regulations whilst ensuring sustainability across the Borough.

- The development of specialist accommodation including for adults with learning disabilities and/ or autism, and exciting plans for our new extra care schemes all support our commitment for people to remain a part of their communities.

And we want these things for every resident, so we are committed to:

Targeting support to make things fairer

We will target support at the residents and parts of our Borough that need it the most, reducing inequalities and making things fairer.

Image of how children's assessment centre could look

Work to increase the number of residential places for South Tyneside's looked-after children is underway. Work has started on site for a new children's home at Hebburn New Town which will accommodate up to four young people, along with work progressing well on the assessment centre in Seton Avenue in South Shields and another children's home in Jarrow. These developments will almost triple the number of places for looked-after children locally. The new homes will mean more children in care can stay in the Borough, close to their family and friends.

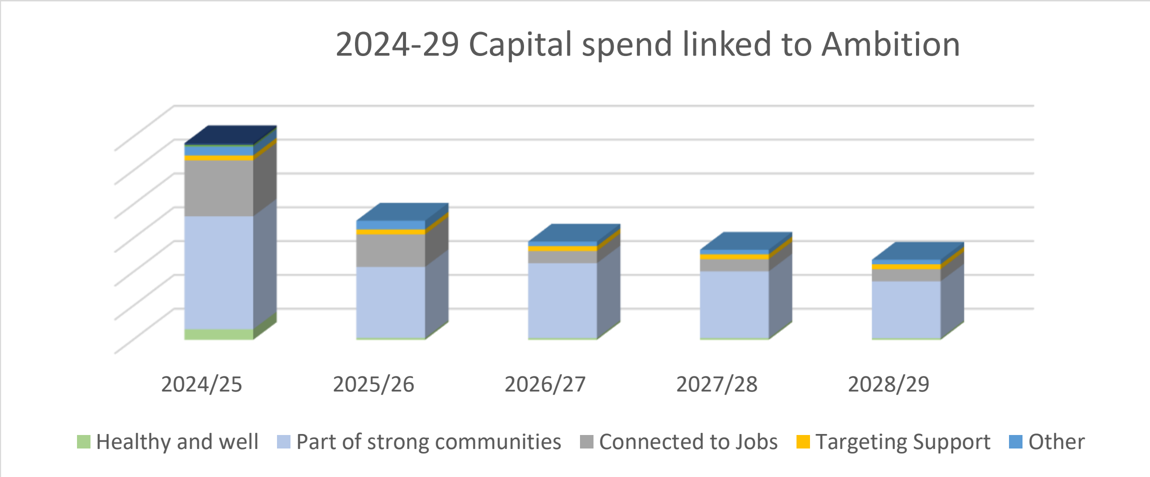
Other programmes include:

- Continued investment in our five Community Area Forums (CAFs), each covering a particular area of the Borough. The role of CAFs is to discuss matters important to local people to provide a proactive service within local areas such as cleaner streets, reduced fly tipping, anti-social behaviour and tenancy related issues.

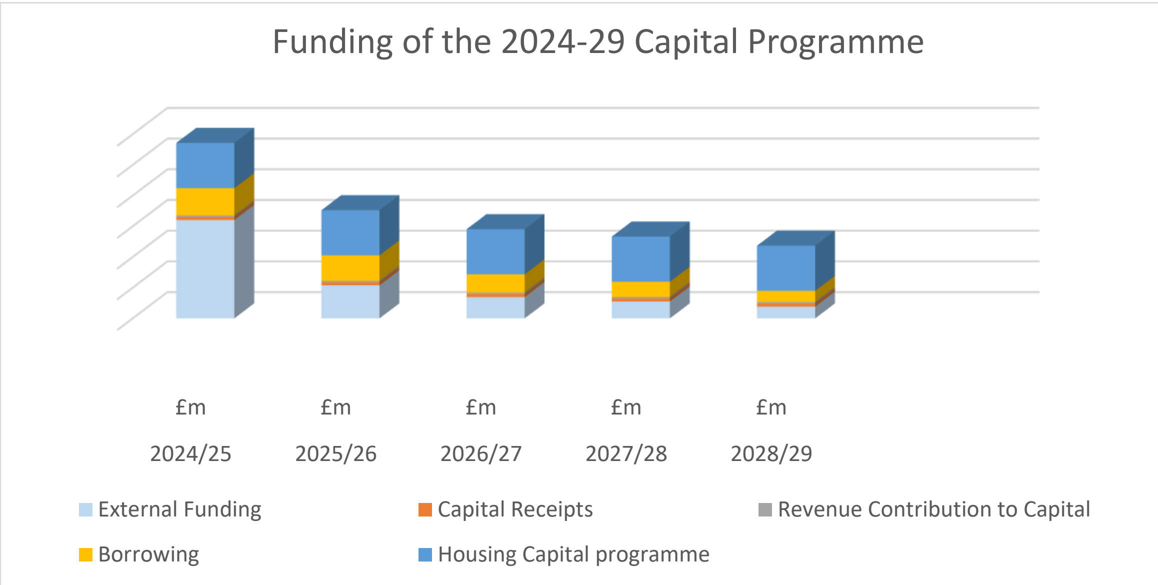
- Community improvements - This project will manage the current condition or manage improvements to sites to increase the site sustainability, safety and provide future development opportunities.

2024-29 Capital Programme

53. The provisional five-year Capital Programme for 2024-29 linked to the Council's vision and ambitions is shown below. A breakdown of the individual projects within each year is detailed within the Capital and Investment Strategy at Appendix 4.



54. The estimated funding of the five-year capital programme is shown below. A breakdown of each year is detailed in the Capital and Investment Strategy at Appendix 4.



Chapter 7 Treasury Management

55. The Treasury Management and Annual Investment Strategy is a requirement of the Local Government Finance Act 1992, the Local Government Act 2003, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the CIPFA Prudential Code for Capital Finance in Local Authorities and guidance on Investment Practice from the Department for Levelling Up, Housing and Communities.

56. It is a statutory requirement of the Local Government Finance Act 1992 that the Council produces a balanced budget. Section 31(a) of the Act requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

    - increases in all debt charges to include Minimum Revenue Provision caused by increased borrowing to finance additional capital expenditure, and
    - any increases in running costs from new capital projects are limited to a level, which is affordable within the projected income of the Council for the foreseeable future.

57. The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy.

58. The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Service. Within this document Treasury management is defined as:

    "The management of the local authority's borrowing, investments and cash flows, including 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."

59. The Treasury Management Strategy included at Appendix 6 to this report complies with the CIPFA Code, which requires the Treasury Management Strategy to be approved by Borough Council prior to the start of the financial year.

60. The Local Government Act 2003 also requires the Council to "have regard to" a further CIPFA Code called "The Prudential Code for Capital Finance in Local Authorities".

61. The key objectives of the Treasury Management Code and the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that Treasury Management decisions are taken in accordance with good professional practice.

62. To demonstrate that local authorities have fulfilled these objectives, the Treasury Management Code and the Prudential Code set out indicators that must be used and factors to be taken into account. The indicators and factors that apply to Treasury Management are contained in the Strategy attached at Appendix 6 to this report.

63. The Treasury Management Strategy and the Annual Investment Strategy have both been discussed and agreed with the Council's Treasury Management Adviser, Link.

64. The Council's Treasury Management covers two areas:

- **Part 1 – South Tyneside Consolidated Loans Fund** – this covers the Council's borrowings and contains the Treasury and Prudential Indicators required by the Treasury Management Code and the Prudential Code.

- **Part 2 – Annual Investment Strategy** – this concerns the investment of the cash balances of the Council. Priority is given to the security of the capital sum and the liquidity of investments.

Appendix 1: Council Revenue Budget 2024/25

Council Revenue Budget	Total Expenditure £	Total Income £	2024/25 Budget £	Staffing 2024/25 No of Posts	FTE's
BUSINESS AND RESOURCES					
Corporate Finance / Benefits and Customer Services	95,457,500	(126,801,720)	(31,344,220)	172	150.4
Digital & ICT Services	7,371,880	(1,885,290)	5,486,590	102	96.0
Leisure and Libraries	9,380,330	(6,948,260)	2,432,070	273	188.4
Corporate Assurance	1,656,320	(1,262,900)	393,420	7	6.6
Human Resources & Organisational Development	3,739,010	(1,289,980)	2,449,030	70	66.4
Tourism, Culture and Events	1,512,360	(222,600)	1,289,760	11	8.3
SUB TOTAL BUSINESS AND RESOURCES	**119,117,400**	**(138,410,750)**	**(19,293,350)**	**635**	**516.1**
PENSIONS					
Pensions Office	214,124,000	(214,124,000)	0	87	79.0
SUB TOTAL PENSIONS	**214,124,000**	**(214,124,000)**	**0**	**87**	**79.0**
TOTAL BUSINESS AND RESOURCES	**333,241,400**	**(352,534,750)**	**(19,293,350)**	**722**	**595.1**
GOVERNANCE AND CORPORATE AFFAIRS					
Legal and Governance	2,761,260	(1,373,520)	1,387,740	44	36.9
Management & Policy	929,490	(211,700)	717,790	9	7.0
Performance & Change Management	1,138,370	(450,940)	687,430	22	21.5
Communications, Engagement & Support Services	5,525,860	(1,030,510)	4,495,350	123	111.0
TOTAL GOVERNANCE AND CORPORATE AFFAIRS	**10,354,980**	**(3,066,670)**	**7,288,310**	**198**	**176.4**
PLACE AND COMMUNITIES					
Environment	23,498,160	(8,794,430)	14,703,730	217	189.8
Place	10,197,360	(6,184,280)	4,013,080	145	138.1
Inclusive Growth	8,739,390	(7,417,700)	1,321,690	42	40.1
Asset & Programme Management	21,940,430	(8,961,190)	12,979,240	302	187.0
Infrastructure & Transport	9,923,950	(10,569,400)	(645,450)	149	107.6
TOTAL PLACE AND COMMUNITIES	**74,299,290**	**(41,927,000)**	**32,372,290**	**855**	**662.6**
CHILDREN'S SOCIAL CARE, LEARNING AND EARLY HELP					
Children and Families Social Care	35,304,570	(3,224,331)	32,080,239	267	234.2
Learning and Early Help	51,737,120	(32,932,619)	18,804,501	718	499.1
TOTAL CHILDREN'S SOCIAL CARE, LEARNING AND EARLY HELP	**87,041,690**	**(36,156,950)**	**50,884,740**	**985**	**733.3**
ADULT SOCIAL CARE AND COMMISSIONING					
Adult Social Care	122,132,210	(52,212,500)	69,919,710	362	319.6
Commissioning & Quality Assurance	2,518,230	(1,003,400)	1,514,830	49	44.4
TOTAL ADULT SOCIAL CARE AND COMMISSIONING	**124,650,440**	**(53,215,900)**	**71,434,540**	**411**	**364.0**
PUBLIC HEALTH					
Public Health	15,117,370	(271,900)	14,845,470	21	20.3
TOTAL PUBLIC HEALTH	**15,117,370**	**(271,900)**	**14,845,470**	**21**	**20.3**
SCHOOLS DELEGATED					
Delegated Schools Budget	118,904,460	(118,904,460)	0		
TOTAL SCHOOLS DELEGATED	**118,904,460**	**(118,904,460)**	**0**		
TOTAL COUNCIL REVENUE BUDGET	**763,609,630**	**(606,077,630)**	**157,532,000**	**3,192**	**2,551.7**

Appendix 2 Reserves Policy

The requirement for financial reserves is recognised in statute by sections 32 and 43 of the Local Government Finance Act 1992. Councils must have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Reserves can be held for a variety of purposes such as to cushion the impact of unexpected events and emergencies or as a means of building up funds to meet known or predicted liabilities.

The principles used by the Chief Financial Officer (CFO) to assess and advise on the adequacy of reserves when setting the budget ensure that account is taken of the strategic, operational and financial risks facing the Council. This includes for example the Council's record in budget and financial management, its capacity to manage in-year budget pressures and the current and projected external financial environment. Under the Local Government Act 2003, the CFO must report to Council on the adequacy of reserves. As an ultimate backstop, the CFO is required to report to all councillors under section 114 of the Local Government Finance Act 1988 in the event that reserves are seriously depleted and has the impact of suspending spending except to meet statutory obligations.

In accordance with good financial practice, the Council holds a number of reserves as below:

Unearmarked General Fund Reserve - This reserve is held to manage the impact of any unplanned overspends within the Council's General Fund budget. The policy objective is to hold a minimum balance in this reserve of £10m.

Future Funding Reserve - This reserve is held to support medium-term requirements to balance the budget taking account of changes to grant funding, inflationary and demand pressures, financial shocks as well as investment needs.

Various Earmarked Reserves - These are held to meet expected and potential liabilities or specific investment requirements. Examples include emergency events such as unforeseen financial costs or dealing with a natural disaster, claims against our self-insurance fund, future payments due under PFI contracts, monies to support economic development, volatility within the Collection Fund which deals with the income and expenditure relating to council tax and business rates etc. It also includes reserves ringfenced by statute such as the Housing Revenue Account and reserves held on behalf of schools.

Appendix 3 Housing Revenue Account Service Charges

Landlord Charges - Services & Facilities		2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Garage Rents		£7.20	7.7%	£7.80
Tenant Heating Charges	Hebburn Newtown 1-bed	£4.50	6.7%	£4.80
	Hebburn Newtown 2-bed	£12.20	6.7%	£13.00
	Jarrow Energy tariff p/kwh	£0.12	6.7%	£0.13

Housing Plus - Landlord Charges for Scheme Managers and Communal Facilities		2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Service Charges	Purpose built flats with scheme manager & communal facilities	£15.20	6.7%	£16.20
	Group dwellings with scheme manager & nearby communal facilities	£6.70	6.7%	£7.10
Guest Room Charges	Charges for overnight stay or emergency situations per night	£13.90	6.7%	£14.80

Furnished Tenancy Scheme Charges		2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Furniture Options	New Tenancies supplied with a package of furniture and Electrical - Goods - Option 1 Points up to 110	£25.55	6.7%	£27.26
	New Tenancies supplied with a package of furniture and Electrical - Goods - Option 2 Points up to 160	£34.05	6.7%	£36.33
	New Tenancies supplied with a package of furniture and Electrical - Goods - Option 3 Points up to 200	£42.52	6.7%	£45.37
	New Tenancies supplied with a package of furniture and Electrical - Goods - Mini Option Points up to 60	£16.30	6.7%	£17.39
	Decent Homes decant properties supplied cookers	£6.64	6.7%	£7.09

Caretaker Charges	2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Durham Court	£3.30	6.7%	£3.50
Ellen Court	£8.30	6.7%	£8.90
Monastery Court	£8.30	6.7%	£8.90
Wilkinson Court	£8.30	6.7%	£8.90
Concierge Charges			
Durham Court	£11.80	6.7%	£12.60
Ellen Court	£11.80	6.7%	£12.60
Monastery Court	£11.80	6.7%	£12.60
Wilkinson Court	£11.80	6.7%	£12.60

Support Service Charges - Supporting People		2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Community Alarms - Support				
Council Tenants	Standard - Hardwired or Solo Unit	£3.50	6.7%	£3.70
Council Tenants	Enhanced - Hardwired or Solo Unit	£5.40	6.7%	£5.80
Scheme Managers - Support				
Council Tenants	Scheme Managers - Support Services	£13.10	6.7%	£14.00

Other Specific Service Charges		2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
Council - HRA Temporary Accommodation				
	1 - bed accommodation	£29.90	6.7%	£31.90
	2 - bed accommodation	£42.10	6.7%	£44.90
	3 - bed accommodation	£61.30	6.7%	£65.40

Housing Plus Heating Charges

6.7% increase on all Housing Plus establishments

Tenants - Housing Plus Heating Charges		**2023/24**			**2024/25**	
	Cost per property £/wk Bed Sit	**Cost per property £/wk 1 Bed**	**Cost per property £/wk 2 Bed**	**Cost per property £/wk Bed Sit**	**Cost per property £/wk 1 Bed**	**Cost per property £/wk 2 Bed**
Davies Hall	£0.00	£12.28	£14.77	£0.00	£13.10	£15.76
McIntrye Hall	£0.00	£13.67	£0.00	£0.00	£14.59	£0.00
Birch Grove	£0.00	£14.61	£0.00	£0.00	£15.59	£0.00
Calf Close	£0.00	£11.64	£13.98	£0.00	£12.42	£14.92
Porlock House	£0.00	£11.15	£13.42	£0.00	£11.89	£14.32
Bishop Ramsey	£0.00	£12.12	£14.54	£0.00	£12.93	£15.52
Farding Lake	£0.00	£11.49	£0.00	£0.00	£12.26	£0.00
Prince Ed Court	£0.00	£10.31	£12.35	£0.00	£11.00	£13.17
Blenkinsop House	£7.10	£7.88	£0.00	£7.57	£8.41	£0.00
Borrowdale House	£0.00	£8.04	£0.00	£0.00	£8.58	£0.00
Huntcliffe House	£0.00	£8.73	£0.00	£0.00	£9.32	£0.00
Inskip House	£0.00	£10.78	£0.00	£0.00	£11.50	£0.00
Wingrove House	£0.00	£10.70	£12.91	£0.00	£11.42	£13.77
Clayside House	£0.00	£9.23	£0.00	£0.00	£9.84	£0.00
Glenthorpe House	£0.00	£12.01	£14.46	£0.00	£12.81	£15.43
Hallgarth House	£0.00	£11.56	£13.91	£0.00	£12.34	£14.84
Julius Court	£0.00	£9.44	£0.00	£0.00	£10.08	£0.00
Thomas Bell SA	£0.00	£12.38	£0.00	£0.00	£13.21	£0.00
Patrick Cain House	£0.00	£9.59	£11.56	£0.00	£10.24	£12.34

Leaseholders Management Fee				**2023/24 Charge £/wk**	**Change %**	**2024/25 Charge £/wk**
Freeze charge on Leaseholders Management Fee				£134.60	0.0%	£134.60

Communal Cleaning Charges	2023/24 Charge £/wk	Change %	2024/25 Charge £/wk
High Rise Properties			
Durham Court	£1.90	6.7%	£2.00
Mid Rise Properties			
Dean Road	£3.20	6.7%	£3.40
Laygate & Trinity	£3.10	6.7%	£3.30
Whiteleas	£3.20	6.7%	£3.40
Green Lane	£6.40	6.7%	£6.80
Tyne Dock	£4.40	6.7%	£4.70
Galsworthy Road	£3.20	6.7%	£3.40
River Drive	£1.00	6.7%	£1.10
Mowbray Road	£1.40	6.7%	£1.50
Stewart & Fulwell	£0.90	6.7%	£1.00
Sheltered Housing			
Birch Grove SA	£8.20	6.7%	£8.70
Bishop Ramsay SA	£9.10	6.7%	£9.70
Blenkinsop House SA	£4.40	6.7%	£4.70
Borrowdale House SA	£7.70	6.7%	£8.20
Calf Close House SA	£6.40	6.7%	£6.80
Cheviot House SA	£7.10	6.7%	£7.60
Clayside House SA	£6.40	6.7%	£6.80
Curren House SA	£10.50	6.7%	£11.20
Davies Hall SA	£10.20	6.7%	£10.90
Farding Lake SA	£7.50	6.7%	£8.00
Fernyhough Hall SA	£5.90	6.7%	£6.30
Glenthorpe House SA	£6.40	6.7%	£6.80
Hallgarth House SA	£6.00	6.7%	£6.40
Henley House SA	£7.80	6.7%	£8.30
Huntcliffe House SA	£8.80	6.7%	£9.40
Inskip House SA	£7.70	6.7%	£8.20
Julius Court SA	£6.00	6.7%	£6.40
Lincoln Court SA	£9.10	6.7%	£9.70
McIntyre Hall SA	£8.00	6.7%	£8.50
Patrick Cain House SA	£9.30	6.7%	£9.90
Porlock House SA	£6.60	6.7%	£7.00
Prince Edward Court SA	£10.10	6.7%	£10.80
Thomas Bell SA	£7.20	6.7%	£7.70
Wingrove House SA	£6.00	6.7%	£6.40

Appendix 4 Capital and Investment Strategy

Capital and Investment Strategy: 2024-2029

Contents Page

Foreword by the Lead Member for Governance, Finance and Corporate Services, Cllr Joanne Bell

The Council has a proud record of investment in the Borough through consistently delivering a bold and ambitious capital programme which has transformed our schools, housing, leisure and library facilities. Major transport schemes have boosted connectivity and significant investment in our town centres will continue to re-imagine the high street which is less dependent upon traditional retail and more geared towards residential and visitor experience.

Despite the challenges of the pandemic and currently high levels of inflation, we continue to have an impressive long-term programme for re-shaping the Borough through our Capital and Investment Strategy which underpins our new strategic plans as set out in our 20-year vision and 5 key ambitions. This is informed by engagement across a range of stakeholders and is linked to our Medium Term Financial Plan (MTFP) providing a framework for future investment whilst setting out our ambitions in sourcing and applying capital resources. This Capital and Investment Strategy is critical to funding and delivering future projects relating to regeneration, transport, housing, digital, supporting our young people and maintaining our core property and vehicle assets. It also continues to provide a focus for local neighbourhood priorities through our Community Area Forums. The Capital and Investment Strategy builds upon our existing commitment expressed in the Council's Sustainability Strategy to continue to invest in innovative schemes that reduce the Borough's carbon emissions for the long-term.

As resources are limited, we apply a rigorous appraisal to assist in the allocation of funding incorporating an evidence-led approach whilst providing options to ensure that projects align with our strategic ambitions. We continue to successfully leverage external funding where possible to fund our ambitions either individually or through regional partners, public organisations within the Borough or attracting commercial investment such as that at the Port of Tyne and the International Advanced Manufacturing Park. In determining the resources available, we ensure that any borrowing which remains a key component of our capital funding is affordable and compliant with the statutory prudential code that debt has to be serviced and repaid and preserving the Council's financial sustainability over the long-term.

This Capital and Investment Strategy forms a key element of our strategic plans moving forward and helps us in achieving our goal to deliver better outcomes for the Borough and our residents.

The Purpose of the Capital and Investment Strategy

1. This Strategy sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to risk, reward and impact on the achievement of priority outcomes. The Strategy sets out how stewardship, value for money, prudence, sustainability and affordability will be secured.

2. Whilst long-term in focus, South Tyneside Council's Capital and Investment Strategy will be reviewed on an annual basis, alongside the Medium Term Financial Plan, to reflect the changing needs and priorities of the Council.

3. The Strategy forms a part of the Council's integrated revenue, capital and balance sheet planning.

4. The Council will have regard to the Department of Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments and will comply with The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code of Practice for Capital Finance in Local Authority.

5. CIPFA issued an updated 'Prudential Code for Capital Finance in December 2021 which included changes to the capital strategy, prudential indicators and investment reporting implemented from 2023/24.

6. The key ongoing principle is that an authority must not borrow to invest primarily for financial return. There is a new requirement to report all investments under one of the following headings; service, treasury or commercial.

7. In accordance with this code, the Council sets prudential limits and indicators which are approved as part of the budget setting process at the start of each financial year. Regular monitoring of these indicators will take place during the year.

8. The Council's Capital and Investment Strategy is reviewed and reported annually to Borough Council.

Context

9. Since 2010 the Council has delivered over £200m of efficiencies, whilst protecting frontline services, through a dramatically redesigned, modern Council. Government funding is expected to fail to keep pace with recent high levels of inflation and growth in service demand across adult and children's social care which was exacerbated by the Covid-19 pandemic. Consequently, a further £27m of revenue savings are expected to be required over the next 5 years.

10. Less funding reduces the Council's ability to fund investment from its own resources. This increases the need to secure alternative sources of external funding - often from a decreasing quantum with increased competition over limited resources.

11. Regionally, the landscape continues to evolve with the key bodies consisting of The North-East Combined Authority, the North of Tyne Combined Authority, the North-East Local Enterprise Partnership, providing frameworks for joint working and a coordinated approach to changing the economic foundations of the North-East. A new devolution deal covering the seven local authorities of Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland has been concluded which will come into effect in 2024 and will unlock significant capital investment and see additional powers transferred to the local area.

South Tyneside Vision

12. We have ambitious plans to regenerate our towns, homes and communities that will help us to attract investment, create jobs, and improve health and wellbeing outcomes for residents across the Borough.

13. Our 20-year vision is ‘Our South Tyneside, a place where people live healthy, happy and fulfilled lives’. This is our South Tyneside, and we all have an important part to play in making this vision a reality.

14. We have five ‘Ambitions’ – the key things we want to achieve over the next 20 years to help deliver our vision. These five Ambitions will guide everything we do. We want all people in South Tyneside to be:

15. Investment decisions are aligned to these ambitions, ensuring the Council’s plans contribute to the achievement of the overall vision for South Tyneside.

How Capital Spend Decisions are Made

16. The Capital Investment Programme is developed as part of the annual budget setting process and is considered each February by Borough Council as part of the Medium Term Financial Plan. The Capital and Investment Programme is set for the following five years and reviewed annually.

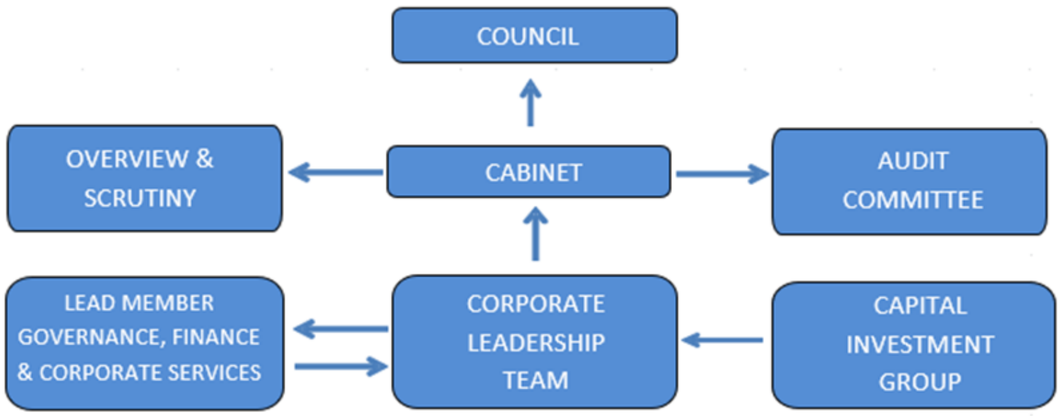
17. Members provide direction to assist officers in undertaking preparatory work to provide a range of options on resource allocation. Prioritisation is given to those schemes which relate to preserving the Council's assets, e.g. roads maintenance and those with a health and safety implication, e.g. bridge and road safety. Taking account of remaining resources, members make spending decisions balancing considerations such as alignment to the five ambitions, pre-existing commitments, residents' priorities and those schemes which support the Council's revenue budget by reducing future running costs or increasing future income.

18. In preparing options for Members consideration, the Capital Investment Group, consisting of senior officers from across the Council and South Tyneside Homes meets monthly. This Group is responsible for the preparatory work associated with the Capital Investment Programme and is chaired by the Director of Business and Resources as the Council's Chief Financial Officer. The draft programme is reviewed at a strategic level by Corporate Leadership Team taking account of ongoing discussions with Lead Members.

19. The draft five year rolling programme is considered by the Lead Member for Governance, Finance and Corporate Services after which draft proposals are further considered and debated by Cabinet taking into account funding availability. Final approval is by Borough Council as part of the Medium Term Financial Plan.

20. Council considers both capital and revenue proposals together, ensuring that any revenue requirements arising from potential capital investment are incorporated into revenue spending proposals. In addition, if insufficient capital resources have been identified, the consequences of potential prudential borrowing and the impact of the related debt charges on revenue can also be considered. This ensures that the Council's capital investment decisions are affordable, prudent and sustainable in the long-term and that Treasury Management decisions are taken in accordance with good professional practice.

21. Once the Capital Programme is agreed, Cabinet receive regular updates on financial management via the 'Quarterly Budget Monitoring Report' and Treasury Management activity via the 'Quarterly Treasury Management Report'. The overall system of governance is shown below.



Capital Investment Group

22. As set out above, the Capital Investment Group is responsible for the preparatory work undertaken to give Members options regarding how the Capital budget could be allocated. The Group is responsible for:

    - Coordinating, assessing and initial proposed prioritisation of projects by scoring of projects based on the following criteria:

        a) Alignment with strategic priorities
        b) Positive impact for residents
        c) Meeting statutory requirements
        d) Deliverability (including leverage of external funding)

    - Promoting a cross-cutting approach ensuring all service areas are sighted on potential impact of proposals;

    - Overseeing, co-ordinating and supporting external funding opportunities;

    - Monitoring the progress of spend across the capital programme throughout the year including the transfer of funding between schemes;

    - Reviewing proposals to transfer funds across financial years for consideration by Cabinet.

23. To ensure proposals from all services are considered, the Capital Investment Group requires for each scheme a 'Capital Investment – Outline Business Case'. The Outline Business Case includes a detailed project description and an identified project manager. Proposed schemes reflect ongoing discussions with Cabinet Members on priorities and can include various options for debate around the details of major infrastructure schemes.

24. The aim of any capital project should be to help achieve one or more of the Council's five ambitions. The 'Measurable Success Criteria' section allows the scheme promoter to demonstrate how the proposed project links to the Council's Strategic Plan and details what measurable outcomes would be achieved from the investment.

25. To assist the Capital Investment Group in undertaking an initial appraisal of capital proposals, the Outline Business Case requests details of 'Key Milestones'. Capital projects can face delays often due to their complexity or factors out of the Council's control, e.g. weather or procurement issues. The inclusion of key milestones within the Outline Business Case assists in the evaluation of deliverability, the profile of funding allocations and supports subsequent monitoring.

26. A 'Risk Assessment' is included as part of the proposal where potential risks associated with the delivery of the scheme, e.g. cost overruns, timings and the failure to meet the set objectives are considered. This also allows the risks

associated of not progressing with the scheme to be evaluated, such as asset failure, or failing to maintain health and safety requirements.

27. The ‘Cost’ and ‘Funding’ section comprises the total gross cost of the project, the amount of external funding that the project will or is expected to attract and the source of that funding. The balance is the call on Council funding which is being requested. The accuracy and realism of costings and timescales are challenged by the Group.

28. The final section of the Outline Business Case is ‘Net Revenue Implications’ which provides the scheme promoter an opportunity to highlight any revenue savings or costs which may arise as a result of the capital project, e.g. reductions in utilities costs and building maintenance or alternatively additional staffing and maintenance which may be required to be built into the revenue budget.

29. The robust process followed in shaping the Outline Business Case for each scheme ensures sufficient information is available, allowing the Capital Investment Group to make sound judgements on scheme viability for further consideration by Members.

Monitoring and Project Management of the Capital Programme

30. Cabinet retains strategic oversight of the delivery of the capital programme. Regular reports on design and procurement options, locations and timescales are debated and considered by Lead Members in respect of major projects.

31. The Capital Investment Group categorises Capital projects as High, Medium or Low risk based on their complexity, the likelihood of slippage/acceleration or potential to under/overspend, which informs the level of monitoring and scrutiny. Gross spend is monitored against project budgets which are adjusted whenever additional external funding is secured or anticipated funding reduced. Budget holders update details of their schemes with forecasts of spend and income for the year as well as forecasting any slippage and intentions for budgets to be considered for carry forward into the following financial year.

32. Finance officers meet with scheme budget holders on a frequency dictated by the associated risk rating and challenge the forecasts provided in the monitoring reports on levels and timing of spend. This allows the Council to more effectively manage its cash flow requirements, minimising debt servicing costs.

33. Applying the monitoring information, the Council’s Capital Financing Requirement (CFR) can be calculated to establish how much borrowing is required as a result of spend. This enables a forecast revenue cost for debt servicing to be included in the revenue section of the monthly finance report, showing the linkages between capital and revenue expenditure.

34. The resulting forecasts from the monitoring process are collated into an appendix for the periodic finance reports which are presented to Corporate Leadership Team

and Cabinet for consideration, with the capital element also reported to Capital Investment Group.

35. The financial performance of capital projects is reported regularly to Capital Investment Group.

Funding the Capital Programme

Grant Funding / External Contributions

36. The Council has a structured and co-ordinated approach to the pursuit of external funding to ensure alignment with objectives, sustainability of match funding and the avoidance of duplication. Key sources of external funding are received from central government departments, as well as from government agencies, The North-East Mayoral Combined Authority, the North-East Local Enterprise Partnership and from private developers, among others. These are used to support investment in assets, as well as regeneration activities. The Council seeks to maximise grant funding wherever possible. Key capital funding streams which the Council are seeking to access include:

    - North-East Mayoral Combined Authority/ North-East Local Enterprise Partnership

    - Levelling Up Fund (South Tyneside Borough) to support regeneration, town centre improvements, transport and culture projects

    - Towns Fund to drive economic and productivity growth

37. A small number of grants are ring-fenced for expenditure in specific services, e.g. Devolved Formula Capital, which is allocated to schools. The majority of grant funding is not ring-fenced. These grants which are not ring-fenced are allocated to assets with the shortest lifespan to ensure that long-term borrowing is prudently applied against assets with longer lifespans.

38. Grant funding is an important income stream for the Council's Capital Programme, particularly with regards to major transport and economic regeneration schemes.

Developer Contributions

39. Contributions from landowners under Section 106 agreements towards services and infrastructure as part of granting planning permission will be applied where the investment satisfies the conditions of the agreement. An update on S106 agreements is presented quarterly at the Capital Investment Group by the Senior Manager Planning.

Borrowing

40. Under part 1 of the Local Government Act 2003 authorities are required by regulation to have regard to the Prudential Code when carrying out their duties.

The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable. The Council's strategy is to maximise grant funding and capital receipts before applying borrowing as a source of funding for the capital programme.

41. When borrowing is required the level of affordability is assessed against the available debt charges revenue budget as part of the Medium Term Financial Planning process. It is the statutory responsibility of the Section 151 Officer to establish the level of borrowing that is deemed affordable and to sign off this determination. In order to manage that borrowing activity, the Council produces an annual Treasury Management Strategy which is approved and adopted by Borough Council and includes both the plan for the Consolidated Loans Fund and the Investment Strategy.

42. The Council recognises the implications that capital expenditure has upon the revenue budget and is reflected in the long-term planning process. This impact is two-fold. Firstly, the increase in the Minimum Revenue Provision charge which needs to be set aside from revenue to provide for the cost of each capital project funded through borrowing and secondly is the interest that is charged against that borrowing.

43. These linkages demonstrate why it is necessary to develop the capital and revenue budgets, the Capital and Investment Strategy and the Treasury Management Strategy together to ensure that the requirements of the Prudential Code – affordability, prudence and sustainability are met.

44. The Council is generally utilising available cash balances to finance capital expenditure where appropriate rather than taking on external debt. However, this is balanced with selective borrowing when long-term interest rates fall to low levels which can provide significant cost savings over many years. This funding strategy is reviewed continuously in order to respond flexibly to changes in market trends and volatility.

45. As detailed in the Treasury Management Strategy, the Council prioritises security of its investments over yield. This risk management approach requires thorough due diligence to be undertaken when investing the Council's funds. As well as using a weighted scoring system to assess creditworthiness of counterparties supported by external advisers, the Council applies its own due diligence by using market data, information on Government support for banks and the likelihood of Government support to determine the most secure places to invest funds. Further detail on this approach can be found in the Treasury Management Strategy at Appendix 6.

Capital Receipts

46. Capital receipts are generated from the sale of assets exceeding £10,000. Disposals below that value are classified as revenue income. Capital receipts are used to support the Council's capital programme and help to minimise the need for prudential borrowing. The Council's Asset Management team identify assets which

are surplus to requirements and an option appraisal is carried out to support decision making by Members. If it is concluded that a sale is the most appropriate option, the asset can be sold to generate a funding stream for new capital investment.

47. Asset disposals need to be structured, if they are to be relied upon as a funding source and the Council takes a long-term approach to asset disposal. This provides a more consistent funding stream since by their nature these receipts are irregular and finite.

48. Each asset will be subject to detailed option appraisal for consideration by Cabinet. Options include retention, open market sale, direct development through Centaurea Homes, or development of extra care schemes for the elderly, joint ventures, etc.

Revenue Funding

49. Another source of funding for the capital programme is to apply revenue budgets to contribute to capital projects. The Council prefers to limit this source of funding due to the on-going pressures on the revenue budget at present although it can be more applicable to assets with short useful lives.

Prudential Indicators

50. Local authorities are obliged to consider prudential indicators to reflect local circumstances. It is the objective of the Council that debt costs as a proportion of the net revenue budget be broadly static, except where such additional costs are covered by a related income stream. The following table sets out the forecast position for the following 3 years for net financing costs to net revenue stream, and internal borrowing to underlying borrowing. The Council does not anticipate any income from non-treasury investments.

PRUDENCE MEASURES	(revised) 2023/24 %	2024/25 %	2025/26 %	2026/27 %	2027/28 %	2028/29 %
Ratio of Financing Costs to Net Revenue Stream(Council)	12.36%	13.24%	13.30%	13.53%	13.56%	13.28%
Ratio of Internal Borrowing to Underlying Borrowing	9.85%	9.85%	9.88%	9.96%	10.07%	10.21%

Commercial Activity - Investment Strategy

51. This Investment Strategy is prepared to comply with statutory guidance issued by the DLUHC.

52. The DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. The revised Prudential Code requires all investments and investment income to be attributed to one of the following three purposes:

- **Treasury Management** - Arising from the Council's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

- **Service delivery** - Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

- **Commercial return** - Investments held primarily for financial return with no Treasury Management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e. that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Treasury Management

53. The Treasury Management Strategy deals with Treasury (financial) investments, which are regarded as part of the 'core' Treasury Management activity, i.e. the investment of surplus cash flow balances.

Non-Treasury Investment Principles

54. Investment decisions will be made with the primary purpose of supporting the regeneration and economic resilience of the Borough.

55. In accordance with the Prudential code the Council will not borrow to invest in commercial investments primarily for financial return.

56. The risks associated with service and commercial investments would be considered and be appropriate to their financial capacity i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.

57. The Council will not make any investment or spending decisions that will increase the CFR leading to new borrowing unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question otherwise incidental to the primary purpose.

58. A robust financial case would be considered for any new investment proposal.

59. The approval of any new proposal would follow existing governance and approval processes as set out in the Council's constitution.

60. A new prudential indicator is required to show the net income from commercial and service investments as a proportion of the net revenue stream.

Commercial Investments

61. Where commercial opportunities arise, an assessment of capital investment requirements will be undertaken as part of any business case appraisal. Such investments could be in the areas of commercial property, loan financing, fleet, digital and ICT, etc. The theme of commercialism forms part of the Year 2 Our Council Change Programme.

62. Independent, expert legal advice and scrutiny arrangements will be included alongside any business case proposals for new investments.

63. The Government introduced new rules preventing Council's borrowing from the PWLB where it is intended to fund an investment primarily expected to generate a return. The Council has no such borrowings nor has any plans for such borrowings and therefore is compliant with the new rules.

64. Increased national regulation on commercial activity is reflected in the revised Treasury Management Code which sets out the following Management Practices and requirements for non-financial investments which the Council observe namely:

- South Tyneside Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for Treasury Management.

- South Tyneside Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

Service Delivery Investments

65. The Council's current investments are all held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure rather than for income generation.

Loans to External Bodies and Organisations

66. The Council has wide powers to provide loan funding to other bodies to support its wider economic and regeneration objectives. For example, the Council has provided a loan facility agreement from March 2014 to South Tyneside Housing Ventures Trust Limited. This facility enabled Housing Ventures to borrow £40m

from the Council for the purposes of increasing the supply of affordable homes with over 400 units delivered. This loan facility, along with the properties, has now transferred across to Karbon Homes. Any lending is secured on the value of the assets to protect the Council's financial interests.

67. The principal element of the loan repayment to the Council is matched to the amount of MRP charged to revenue, thus creating zero impact on the revenue budget. The interest element of the loan repayment is credited to revenue at a slightly higher rate than PWLB borrowing rates generating a small income stream.

68. Centaurea Homes Limited is a Council-owned housing development company. The Council can provide a loan facility which will generate an income stream secured against the properties constructed. Additional sites in the Borough may be developed dependent upon viability and market conditions.

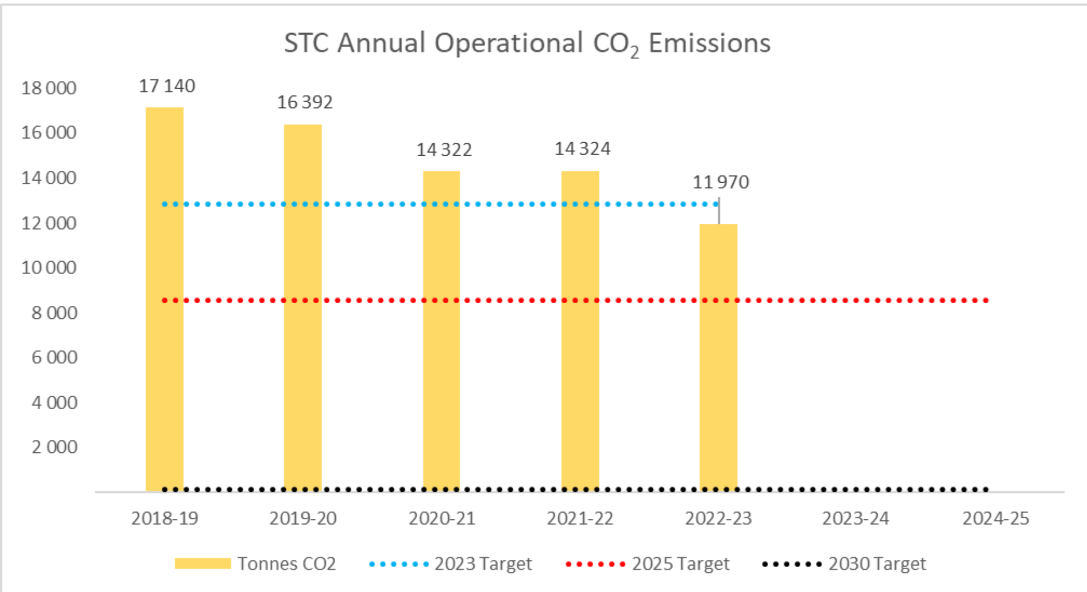
Environmental Sustainability

69. The Council has an ambitious Sustainability South Tyneside Strategy 2020-2025 that can be found on the Council website that is moving us towards Net Zero by 2030, delivering pioneering renewable energy projects.

70. A 5-year action plan was developed to support the delivery of the emissions reduction target:

- 25% reduction within 3 years (March 2023)
- 50% reduction within 5 year (March 2025)

71. **The Council has achieved its first interim target of a 25% emissions reduction by March 2023**, as illustrated below, which shows that to date there has been a reduction of 5,170 tonnes against the baseline which equates to a 30% emissions reduction overall.



72. The Council will support green and sustainable choices and behaviours and connections to the natural environment, including setting an example as an organisation with electric and hybrid fleet vehicles, planting more trees across the Borough and leading the way nationally around coastal recovery.

73. Many of the Council's Capital investments will help the Council achieve their goal such as:

- **Holborn Renewable Energy Network, Viking Energy Network and Hebburn Renewable Energy Scheme -** Projects that will utilise renewable technologies to create innovative energy networks providing heat and electricity to a number of buildings. The schemes are expected to cut carbon emissions and produce savings on fuel costs which will assist the Council's pledge to be Carbon Neutral by 2030.

  The successful delivery of these schemes will see a potential 50% reduction against the baseline position of 3,400 tonnes reduction by 2025 to meet the 50% reduction target.

- **Stronger Shores -** This project is 100% funded through Environment Agency Flood Defence Grant and Aid. The project aims to improve understanding of the costs and benefits of kelp, seagrass and native habitats with regards to coastal erosion, flood risk, climate change, biodiversity management, water quality and wider social benefits.

- **LED Lighting** - We continue to improve the energy efficiency of the Borough. As of the end of 2023, 87% of adopted street lighting columns are now LED, with full conversion expected by 2026/7. We have removed 3,107 tonnes of CO_2 per annum through street light upgrades,and saved £1.3m per year in energy costs.

- **Active Travel -** We are supporting awareness and behavioural change around climate change promoting a shift towards sustainable and active modes of transport. This includes adoption of an agile working policy reducing private car journeys. We are also investing in greater electrification of our own fleet-details and have 20 electric vehicles and 59 operational charging units across the Borough.

- **A new 'green gym'** was launched over summer 2023 as part of a £700k refurbishment of Monkton Stadium. The exercise machines capture energy generated from users and converts it into electricity.

- **A significant building** rationalisation programme has seen old and inefficient buildings replaced with centralised hubs installed with improved LED lighting, building management systems, in addition to renewable and energy efficient technologies. Examples include:
  - Installation of Solar PVs to 21 Council buildings;

- Combined heat and power units installed at Haven Point, Hebburn Central, Boldon Community Association and Horsley Hill Childrens centre.
- Remodelling of Temple Park leisure centre including new boiler plant, heat pumps, LED lighting and building management system.
- Monkton Stadium improvements including LED lighting upgrades and boiler replacements.

- **New Network for Electric Vehicle Charging -** South Tyneside Council has entered a partnership with Connected Kerb, one of the UK's leading electric vehicle charging infrastructure providers, to deliver the largest ever electric vehicle charger rollout in the North of England, with up to 2,000 new charge points to be installed across the Borough.

Capital Risks

74. Risks that may impact the Capital and Investment Strategy must be managed and communicated so that appropriate adjustments can be made to mitigate impact. Some of the key risks are detailed below:

- **Cost Inflation -** Inflation is currently running at around 4% which can impact on construction, materials, employment and build costs. This is mitigated by the regular review and monitoring of projects against budgets to identify pressures and the development of a business case to release capital funding from elsewhere within the capital programme if required.

- **Capital Receipts -** The generation of capital receipts is monitored on a regular basis to ensure there is no shortfall in funding of the capital programme. Future capital receipts are also considered so that sources of alternative funding can be sourced or that reductions are made to future years' capital programmes in order to maintain affordability.

- **Interest Rate Increases -** A prudent rate of interest is assumed at the time when the programme affordability is calculated to determine the likely borrowing costs of the capital programme. The rates considered are forecasts from Link Group (The Councils Treasury Adviser) and Capital Economics (an independent forecasting consultancy).

- **Government Funding -** Prudent assumptions are made on grant funding when setting the capital programme. Any reductions that cannot be met from other sources would result in adjustments to the capital programme when it is reviewed.

- **Not managing spend within budgets -** To mitigate this risk there is regular capital monitoring reviewing each project against agreed budgets. The Capital position is reported to the Capital Investment Group and to Cabinet quarterly.

- **Insufficient tenders received to ensure value for money -** Market engagement in advance to obtain expressions of interest and exploring the ability to amend the Cabinet approval process by increasing current limits to reduce the tender timeframe could help mitigate risk in this area.

Knowledge and Skills

75. The Council has a number of professionally qualified legal, finance and property officers to support the delivery of the Treasury Management Strategy and the Capital and Investment Strategy.

76. These officers regularly attend training courses, seminars and conferences to ensure they are kept up to date with regulatory practices and best practice.

77. Bi-monthly project board meetings take place with Senior Regeneration Management, programme managers and finance representatives.

78. The Council uses Link Group as its external Treasury Management advisers to access specialist skills and resources.

79. The Council would consult specialist advisers before undertaking any non-treasury investments.

80. The Council has incorporated Treasury and Capital training as part of the Members' Development programme.

The 2024-29 Capital Programme

81. The framework established by the Capital and Investment Strategy supports the formulation of the Council's Capital Investment Programme. The provisional five-year Capital Programme for 2024-29 is detailed below:

Capital Investment Programme 2024-29	2024/25 Gross (£m)	2025/26 Gross (£m)	2026/27 Gross (£m)	2027/28 Gross (£m)	2028/29 Gross (£m)	Total Gross (£m)
Healthy and Well						
Play field and facility improvements	0.500	0.500	0.500	0.500	0.500	2.500
Playground equipment	0.150	0.150	0.150	0.150	0.150	0.750
Gateway roundabouts	0.060	0.060	-	-	-	0.120
Allotment fencing	0.060	0.060	0.060	0.060	-	0.240
Playground safety gates	0.050	0.050	0.050	-	-	0.150
Devolved Formula Capital	0.333	0.333	0.333	0.333	0.333	1.665
Mortimer	3.100	-	-	-	-	3.100
Coast Road Active Travel	2.000	-	-	-	-	2.000
Total Healthy and Well	**6.253**	**1.153**	**1.093**	**1.043**	**0.983**	**10.525**
Part of Strong Communities						
School/Pedestrian Safety	0.300	0.300	0.300	0.300	0.300	1.500
Demolitions	0.300	0.300	0.300	0.300	0.300	1.500
Fleet Vehicle Replacement Programme	1.500	1.500	1.500	1.500	1.500	7.500
Wheeled new bins	0.155	0.155	0.155	0.155	0.155	0.775
Asset Transfer	0.200	0.200	0.200	-	-	0.600
Securing vacant buildings	0.100	0.100	0.100	0.100	0.100	0.500
Chuter ede demoliton	0.400	-	-	-	-	0.400
Holborn Riverside development	6.480	5.280	8.280	5.280	0.080	25.400
Litter and recycling	0.250	0.250	0.250	0.250	0.250	1.250
Untidy site improvement	0.710	1.000	1.000	-	-	2.710
Street Lighting LED	1.000	1.000	1.000	1.000	1.000	5.000
Hebburn Regeneration	0.175	0.075	-	-	-	0.250
Holborn Energy (WHREN)	17.700	-	-	-	-	17.700
Flood and Coastal Medium Term Programme	0.103	0.354	0.213	0.857	0.200	1.727
Riverside Structures	0.100	0.100	0.100	0.100	0.100	0.500
Decarbonising Transport (ultra low emissions)	0.100	0.100	0.100	0.100	0.100	0.500
Laygate - public realm improvements	0.100	-	-	-	-	0.100
Stronger Shores	1.034	1.234	1.234	0.034	0.034	3.570
Greenspace projects	0.080	0.080	0.080	0.080	0.080	0.400
Industrial units	0.500	0.500	-	-	-	1.000
Vinyl Flooring the WORD	0.400	-	-	-	-	0.400
Residential Development (Young People)	0.350	-	-	-	-	0.350
Customs House	5.300	-	-	-	-	5.300
Decent Homes (Housing)	22.118	21.604	22.100	22.519	23.391	111.731
Public sector Housing Other	5.187	5.685	5.177	4.749	3.872	24.671
Programme Fees (Housing)	1.243	1.243	1.243	1.243	1.243	6.214
Disabled Adaptations (Housing)	0.900	0.900	0.900	0.900	0.900	4.500
Total Part of Strong Communities	**66.785**	**41.960**	**44.232**	**39.467**	**33.605**	**226.048**
Connected to Jobs						
Strategic Transport Feasibility Studies	0.125	0.125	0.125	0.125	0.125	0.625
DICT	2.200	2.200	2.200	2.200	2.200	11.000
South Shields Town Centre	10.800	7.200	-	-	-	18.000
Middlefields External Works Masterplan	3.700	2.700	-	-	-	6.400
Road Resurfacing Programme	2.000	2.000	2.000	2.000	2.000	10.000
IAMP	11.249	2.000	-	-	0.000	13.249
Local Transport Plan funding	2.561	2.561	2.561	2.561	2.561	12.805
Concrete Bay Replacement	0.300	0.300	0.300	0.300	0.300	1.500
Car Parking Maintenance	0.200	0.200	-	-	-	0.400
Total Connected to Jobs	**33.135**	**19.286**	**7.186**	**7.186**	**7.186**	**73.979**

Targeting Support						
CAF Environmental	1.000	1.000	1.000	1.000	1.000	5.000
Disabled Facilities Grant	1.918	1.918	1.918	1.918	1.918	9.590
Total Targeting Support	**2.918**	**2.918**	**2.918**	**2.918**	**2.918**	**14.590**
Other						
Oracle Replacement	5.000	5.000	-	-	-	10.000
Mobile CCTV	0.050	-	-	-	-	0.050
Contingency	0.070	0.070	0.070	0.070	0.070	0.350
Asset Maintenance	2.600	2.600	2.600	2.600	2.600	13.000
Total Other	**7.720**	**7.670**	**2.670**	**2.670**	**2.670**	**23.400**
Total	**116.811**	**72.987**	**58.099**	**53.284**	**47.362**	**348.542**

Funding of the Capital Programme 2024-29

Capital Programme By Funding	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Council General Fund Programme						
External Funding	64.126	21.528	13.892	11.016	7.664	**118.226**
Capital Receipts	2.000	2.000	2.000	2.000	2.000	**10.000**
Revenue Contribution to Capital	3.500	3.500	1.000	1.000	1.000	**10.000**
Borrowing	17.737	16.527	11.787	9.857	7.292	**63.200**
TOTAL Council General Fund Programme	**87.363**	**43.555**	**28.679**	**23.873**	**17.956**	**201.426**
Housing Programme (funded from the Housing Revenue Account)						
Revenue Funding of Housing Capital programme	29.448	29.432	29.420	29.411	29.406	**147.116**
TOTAL Housing Programme	**29.448**	**29.432**	**29.420**	**29.411**	**29.406**	**147.116**
COMBINED Housing and General Fund Programme	**116.811**	**72.987**	**58.099**	**53.284**	**47.362**	**348.542**

82. A breakdown of the Capital Programme for 2024/25 is included below:

Council Capital Programme 2024/25	Budget £m	External Funding £m	Council Funding £m
Healthy and Well			
Mortimer	3.100	2.400	0.700
Coast Road Active Travel	2.000	1.600	0.400
Play field and facility improvements	0.500	-	0.500
Devolved Formula Capital	0.333	0.333	0.000
Playground equipment	0.150	-	0.150
Gateway roundabouts	0.060	-	0.060
Allotment fencing	0.060	-	0.060
Playground safety gates	0.050	-	0.050
Total Healthy and Well	**6.253**	**4.333**	**1.920**
Part of Strong Communities			
Decent Homes (Housing)	22.118	-	22.118
Holborn Energy (WHREN)	17.700	17.700	0.000
Holborn Riverside Development	6.480	6.480	0.000
Customs House	5.300	5.300	0.000
Public Sector Housing Other	5.187	-	5.187
Fleet Vehicle Replacement Programme	1.500	-	1.500
Programme Fees (Housing)	1.243	-	1.243
Stronger Shores	1.034	1.000	0.034
Street Lighting LED	1.000	-	1.000
Disabled Adaptations (Housing)	0.900	-	0.900
Untidy site improvement	0.710	-	0.710
Industrial units	0.500	-	0.500
Chuter ede demoliton	0.400	-	0.400
Vinyl Flooring the WORD	0.400	-	0.400
Residential Development (Young People)	0.350	-	0.350
School/Pedestrian Safety	0.300	0.050	0.250
Demolitions	0.300	-	0.300
Litter and recycling	0.250	-	0.250
Asset Transfer	0.200	-	0.200
Hebburn Regeneration	0.175	-	0.175
Wheeled new bins	0.155	-	0.155
Flood and Coastal Medium Term Programme	0.103	0.053	0.050
Securing vacant buildings	0.100	-	0.100
Riverside Structures	0.100	-	0.100
Decarbonising Transport (ultra low emissions)	0.100	0.025	0.075
Laygate - public realm improvements	0.100	-	0.100
Greenspace projects	0.080	-	0.080
Total Part of Strong Communities	**66.785**	**30.608**	**36.177**
Connected to Jobs			
IAMP	11.249	11.249	0.000
South Shields Town Centre	10.800	10.800	0.000
Middlefields External Works Masterplan	3.700	-	3.700
Local Transport Plan funding	2.561	2.561	0.000
DICT	2.200	-	2.200
Road Resurfacing Programme	2.000	1.000	1.000
Concrete bay replacement	0.300	-	0.300
Car parking maintenance	0.200	-	0.200
Strategic Transport feasibility studies	0.125	0.025	0.100
Total Connected to Jobs	**33.135**	**25.635**	**7.500**

Targeting Support			
Disabled Facilities Grant	1.918	1.918	0.000
CAF Environmental	1.000	0.000	1.000
Total Targeting Support	**2.918**	**1.918**	**1.000**
Other			
Asset Maintenance	2.600	1.632	0.968
Oracle Replacement	5.000	-	5.000
Contingency	0.070	-	0.070
Mobile CCTV	0.050	-	0.050
Total Other	**7.720**	**1.632**	**6.088**
Total	**116.811**	**64.126**	**52.685**

83. A detailed list of the forecast external funding for 2024-25 is included below:

External Capital Funding Forecast	**2024/25 £m**
Capital Grant from Government and other Agencies	
LEP - Enterprise Zone Business Rate Growth Income	17.729
Green Heat Network Fund	6.000
Department for Transport	5.186
Environment Agency	1.053
Disabled Facilities Grant	1.918
Office for low emmissions	0.075
DfE School Condition Grant	1.632
Supported Borrowing - WHREN	5.000
Devolved Formula Capital	0.333
Department for Levelling Up	22.800
Basic Needs	2.400
Council Capital Programme	**64.126**
External Funding Secured and Provisional	
External Funding Secured	25.322
External Funding Probable	32.804
External Funding Possible	6.000
TOTAL External Capital Funding Forecast	**64.126**

Long-Term Planning

84. The Prudential code requires the Capital and Investment Strategy to consider the longer-term capital investment requirements whilst acknowledging they will involve a high level of estimation.

85. The table below estimates high level capital investments over a further 20-year period of recurring projects in the capital programme. These are indicative figures and are subject to change.

	Estimate 2024-29 £m	Estimate 2030-44 £m
Road resurfacing	10.000	30.000
Asset Maintenance	5.000	15.000
Fleet	6.750	20.250
ICT	11.000	30.000

Road Resurfacing - An ongoing project to fund a 10-year recovery plan to reduce the highway repair backlog and slow further deterioration. This estimate does not include any external funding that may be received to support the project.

Asset Maintenance - A planned programme of works to meet the Council's building statutory requirements, Health and Safety requirements and planned maintenance works. The figure does not include estimates of external funding from the Department of Education who provide an allocation ringfenced for the Schools Portfolio.

Fleet - A rolling project to renew and replace vehicle assets at the optimum time to derive maximum value and usage whilst minimising increased maintenance, repair and running costs. This includes refuse collection vehicles.

ICT - The Council maintains a portfolio of websites and systems and regularly reviews its approach to the digital agenda. This project ensures that the ICT infrastructure is resilient, secure and fit for purpose as well as being future proofed.

86. A brief description of the Council's key capital investment schemes is as below:

- **South Shields Town Centre -** This project includes construction of a new Tyne Coast College campus area, as well as new college buildings, campus accommodation, public realm improvements and restoration of Grade II listed 16 Barrington Street. Consultation indicated strong support for these proposals.

Artist's impression of new college campus

- **Rough Sleeping Accommodation Programme -** Accommodation specifically aimed at people sleeping on the street or at risk of becoming homeless with further help and support to gain the skills required to move on to independent living.

- **Mortimer Community College Expansion -** Mortimer is a popular, oversubscribed school with pressure on its places. This project will provide additional classrooms, science laboratories and food technology areas to accommodate the increase in pupil numbers.

CGI of Mortimer Expansion

- **Playground Equipment -** This project will replace equipment over the next 5 years. Part of this programme will look to install new accessible playground equipment for users with disabilities to help to accommodate wheelchairs users and other children who have difficulties using the existing play facilities making the playgrounds accessible for all.


CGI of playground equipment

- **Youth Facility -** This project will deliver a high-quality Youth Zone which will significantly benefit the Borough's young people offering a wide range of sporting, artistic, cultural, physical and recreational activities for young people as well as educational access to personal development and informal education.

- **Children's Residential and Assessment Centre -** This £3.6m project will deliver a new purpose-built children's assessment centre and two residential children's homes in South Tyneside. This will provide additional capacity to ensure more children from South Tyneside are able to be supported within the Borough.


CGI of Childrens Residential Centre

- **Holborn Renewable Energy Network -** This project will utilise renewable technologies to create an innovative energy network providing heat and electricity to a number of buildings. The scheme is expected to deliver significant CO2 reductions helping the Council become Carbon Neutral by 2030. The design of the Holborn site will include an Energy Centre and Centre of Excellence for Renewable Energy Technologies when completed. It is estimated the overall project will be completed in Spring 2028 (subject to funding and planning).

- **Holborn Riverside Development -** This project will continue the transformation of Holborn Riverside into a vibrant mix of new dwellings and office space. It will see the development of sustainable businesses and residential communities which broaden the South Tyneside offer and builds upon previous investment in the town centre.

CGI of Holborn Riverside Development

- **Stronger Shores -** This project is 100% funded through Environment Agency Flood Defence Grant and Aid. The project aims to improve understanding of the costs and benefits of kelp, seagrass and native habitats with regards to coastal erosion, flood risk, climate change, biodiversity management, water quality and wider social benefits.

- **IAMP -** In partnership with Sunderland City Council we are continuing to develop a joint strategic employment site, the International Advanced Manufacturing Park (IAMP), north of Nissan and west of the A19. The development is well underway with over 550,000 sq.ft. of bespoke industrial space delivered over 3 units and a further 1 million sq.ft. of development under construction that will become the base for the region’s first gigafactory.

Appendix 5 Minimum Revenue Provision Policy Statement

1. The Minimum Revenue Provision (MRP) is the charge made to the revenue account to reflect repayment of borrowing over the useful life of the assets that have been funded from that borrowing. The Council has regard to the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 and any subsequent updates.

2. MRP is charged in the year following that in which an asset is brought into use.

3. MRP will be spread over a period which reflects the life/beneficial use of the asset and is normally no more than 50 years. A longer life may be given if it is deemed by a professional that the asset life will exceed 50 years.

4. These periods are determined for MRP purposes only, and the Council may account for depreciation of assets differently under the Code of Practice on Local Authority Accounting, after having had regard to the different conditions that apply for such accounting purposes.

5. The Council has in place a loan finance facility with Karbon Homes Ltd. MRP will be charged to match the annuity loan repayment profile from the Company over the life of any loans issued as part of this agreement. Should the Council wish to switch the type of loan repayment profile to Equal Instalments of Principal then the Council reserve the right to do this. The Council also has a finance agreement with Centaurea Homes Limited. MRP will be charged in the year the loans are repaid and will match the value of the principal repayment. For any future finance agreements that the Council enters into, the MRP charged will be matched to the loan repayment profile, including for PFI and finance lease arrangements.

6. The Council also determines that available resources for financing capital expenditure, such as capital receipts and external funding, will be applied to new expenditures in a manner that is considered appropriate in any financial year. For example, it will be considered financially efficient to apply such resources in the first instance to expenditures that have a shorter estimated lifespan.

7. It is the Council's intention to either apply housing receipts to appropriate capital schemes or to use them as a means of repaying debt, whichever is deemed more appropriate.

8. In cases where expenditure is incurred on only part of a scheme which is not completed by the year end, any grant or similar financing resources will be either allocated to other new expenditures or carried forward as appropriate. Final decisions regarding the manner in which such resources are to be allocated to schemes will be taken under delegated powers.

Appendix 6 Treasury Management Strategy 2024/25

Treasury Management Strategy 2024/25

South Tyneside Council - Treasury Management Strategy 2024/25

Part 1 - South Tyneside Consolidated Loans Fund

Introduction

1. This report sets out views on a strategy to be followed for the financial year 2024/25 for the South Tyneside Consolidated Loans Fund (CLF).

2. The suggested strategy for 2024/25 is based upon officers' views on interest rates. These have been derived from forecasts prepared by Link Group, the Council's Treasury Adviser and Capital Economics, an independent forecasting company.

Adoption of the CIPFA Code of Practice on Treasury Management

3. The Cabinet agreed the 2021 version of the CIPFA Code at its meeting in February 2023 and it was adopted for the 2023/24 financial year and subsequent financial years.

One Strategy for the Whole Council

4. The Code includes the requirements of the Housing Self-Financing Regime. There is no requirement for individual strategies for the General Fund and the Housing Revenue Account. Therefore, the Council has adopted a one strategy approach.

CIPFA Prudential Code for Capital Finance in Local Authorities

5. The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans of local authorities are affordable, prudent and sustainable and that Treasury Management decisions are taken in accordance with good professional practice.

6. The current system of capital finance allows the Council to have a significant degree of flexibility and freedom over its borrowing. However, it does not provide additional Central Government support for the cost of borrowing. Consequently, the cost of additional capital expenditure has to be met from revenue and has to be affordable and sustainable in the long-term. Therefore, it is necessary to develop the capital and revenue budgets and the Treasury Management Strategy together to ensure that the requirements of the Prudential Code are met.

Delegated Authority

7. The Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to Cabinet, and for the execution and administration of Treasury Management decisions to the Chief Financial Officer, a role that is undertaken within the Council by the Director of Business and Resources. The Head of Pensions assists the Director with this role.

CIPFA Prudential Indicators

8. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to borrow.

9. Within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

10. The Treasury Management Code and the Prudential Code require the Council to set indicators that are used to devise the Treasury Management Strategy. Ongoing monitoring against the indicators takes place and is reported quarterly to Cabinet. These indicators for 2024/25 and the following two years are shown below, along with the updated forecast of the position for 2023/24.

Estimates of Capital Expenditure and Capital Financing Requirement

2023/24 £m	Capital Spending Plans	2024/25 £m	2025/26 £m	2026/27 £m
85.2	Council	87.4	43.6	28.7
24.5	Housing	29.4	29.4	29.4
109.7	**Total Capital Programme**	**116.8**	**73.0**	**58.1**
	Capital Financing Requirement (CFR)			
441.6	Council	445.4	446.9	444.4
287.5	Housing	287.5	287.5	287.5
729.1	**Total CFR**	**732.9**	**734.4**	**731.9**

Ratio of Financing Costs to Net Revenue Stream

2023/24 %	Ratio of Financing Costs to Net Revenue Stream	2024/25 %	2025/26 %	2026/27 %
12.4	Council	13.2	13.3	13.5
45.4	Housing	41.4	41.2	40.1

Gross debt and the Capital Financing Requirement

11. In order to ensure that over the medium-term, debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current year and the next two financial years. This allows some flexibility for early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes. This is a key indicator of prudence.

12. The Chief Finance Officer confirms that the Council complies with this prudential indicator in the current year and future years. This view takes into account current commitments, existing plans, and the proposals in the budget report.

13. The Actual External Debt is the expected capital financing requirement at the end of each year plus other long-term liabilities. It is only comparable to the Authorised Limit and Operational Boundary at that date.

2023/24 £m	Actual External Debt	2024/25 £m	2025/26 £m	2026/27 £m
729.1	Borrowing	732.9	734.4	731.9
83.3	Other Long-Term Liabilities	79.5	75.4	71.5
812.4	**TOTAL**	**812.4**	**809.8**	**803.4**

Operational Boundary for External Debt

14. The Operational Boundary is based on the Council's plans for capital expenditure and financing. This is based on the most likely and prudent estimates for borrowing but not the worst-case scenario.

2023/24 £m	Operational Boundary	2024/25 £m	2025/26 £m	2026/27 £m
765.00	Borrowing	765.00	760.00	755.00
95.00	Other Long-Term Liabilities	90.00	85.00	80.00
860.00	**TOTAL**	**855.00**	**845.00**	**835.00**

15. It is not necessary to report the occasional temporary breach of the Operational Boundary due to variations in cash flow. However, a sustained or regular trend above the Boundary would be of significance and would be reported to Council.

Authorised Limit for External Debt

16. This is the maximum amount of external debt that the Council is expected to have and includes headroom above the operational boundary for any unusual cash movements.

2023/24 £m	Authorised Limit	2024/25 £m	2025/26 £m	2026/27 £m
845.00	Borrowing	845.00	840.00	825.00
110.00	Other Long-Term Liabilities	105.00	100.00	95.00
955.00	**TOTAL**	**950.00**	**940.00**	**920.00**

17. If it appears that the limit is likely to be breached, there will be a report to Borough Council outlining the reasons for this. It will then be up to Borough Council to determine whether corrective action should be taken to ensure that the limit is not breached or alternatively whether the limit should be raised.

Liability Benchmark

18. The Council is required to produce a Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The actual external debt is then compared against this benchmark.

19. Further details on the calculation of the liability benchmark are shown in Appendix E.

20. The table shows that the level of external debt falls below the benchmark in each year.

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m
643.5	External Debt	618.5	618.5	608.5
649.9	Benchmark	653.7	655.3	652.7
6.4	**(Over)/Under Benchmark**	**35.2**	**36.8**	**44.2**

Fixed and Variable Rate Exposure Limits

21. These limits provide a framework for managing the Council's exposure to fixed and variable interest rates.

2023/24 %	Debt Portfolio	2024/25 %	2025/26 %	2026/27 %
100	Upper Limit for Fixed Rate Exposure	100	100	100
35	Upper Limit for Variable Rate Exposure	35	35	35

Maturity Structure of Borrowing

22. This establishes parameters that control the percentage of debt needing to be replaced at any time.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %
Under 12 Months	0	40
From 12 Months to under 24 Months	0	40
From 24 Months to Under 5 Years	0	50
From 5 Years to Under 10 Years	0	75
Above 10 Years	25	100

Investments for Periods Longer than 365 days

23. The Council can invest for longer than 365 days. The maximum amount to be invested for periods above 365 days will be limited to £10m. This limit has been set following a review of the Council's reserves and other cash balances, and after taking account of cash flow requirements and future spending plans as set out in the Medium Term Financial Plan (MTFP).

24. The limit has to be viewed alongside the Council's appetite for risk, given the economic environment and the credit worthiness of counterparties at any point in time. At the time of writing, the Council can only lend to local authorities for periods over one year.

Current Treasury Position

25. At the time of writing the Consolidated Loans Fund (CLF) is £75.4m underfinanced. If no further borrowing is arranged for the remainder of the financial year this would leave the CLF at £85.6m underfinanced. However, due to a further debt maturity and cash flow requirements, the Council is expected to borrow up to a further £20m in 2023/24. This would bring the underfinancing to within the £60m - £80m target adopted for the 2023/24 strategy. It has proved financially beneficial, to adopt this underfinancing position which in effect uses a proportion of the Council's cash balances for internal borrowing.

26. The forecast structure of the CLF at the year-end is:

		Principal £m	Principal %
Fixed Rate Funding	PWLB	610.5	
	Market	8.0	85.0
		618.5	85.0
Short-Term and Variable Rate Funding	PWLB	25.0	
	Market	0.0	
		25.0	3.0
Total Debt		**643.5**	**88.0**
Capital Financing Requirement		**729.1**	**100.0**
UNDER FINANCING		**85.6**	**12.0**

27. The under-financing position is covered by internal borrowing from the Council's cash balances. This reduces the amount of cash invested through the money markets.

Borrowing Requirement

28. The table below sets out a basic position for the future borrowing requirement, based on forecasts in the Council's budget and the current maturity structure of the CLF. This may change as restructuring opportunities are taken.

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m
32.4	New Borrowing – General Fund	17.00	15.50	11.70
21	Debt Maturing During the Period	25.00	-	10.00
(11.90)	Less: Repayments to the CLF (including Minimum Revenue Provision)	(13.20)	(13.90)	(14.30)
41.5	**Total**	**28.80**	**1.60**	**7.40**

Minimum Revenue Provision policy statement

29. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge, the Minimum Revenue Provision (MRP). The policy on the MRP can be found in the MTFP.

Sources of Finance

30. Interest rates and expenses charged by the Public Works Loans Board (PWLB) are traditionally lower than those charged on market loans and therefore, the Council's financing is predominately raised from the PWLB.

31. In 2012, the PWLB introduced the "Certainty Rate". This allows councils which annually submit their capital spending plans for the new financial year and the following two years to the Department of Levelling Up, Housing and Communities, (DLUHC) to have interest rates payable on new PWLB loans reduced by 0.2%. South Tyneside Council has complied with this requirement. Therefore, the margin applied to loans to South Tyneside is actually 0.8% not the standard 1.0%.

32. In June 2023, the PWLB introduced a concessionary HRA policy rate for HRA borrowing. This allows councils with an HRA to borrow at 0.6% below the standard rate. This was initially available for one year, to June 2024, but has now been extended by a further year until June 2025. The HRA concessionary rate is available to any local authority with an HRA for fixed rate loans that will finance expenditure within that account.

33. At present, less than 2% of the Council's debt has been borrowed from the money market. This source of borrowing largely dried up as a result of the financial crisis in 2008, although some lenders have since returned to the market. The Council can therefore borrow from the market if appropriate. The use of money market debt will be limited to 40% of the debt portfolio. This limit will apply at the time the borrowing is arranged.

34. The Council will also consider borrowing from other sources where appropriate. This could include the Municipal Bond Agency and the UK Infrastructure Bank (UKIB), which is a government-owned policy bank, focused on increasing infrastructure investment across the United Kingdom. The Bank helps to finance important projects in every region and nation of the UK in sectors including clean energy, transport, digital, water and waste.

Economic Background and Prospects for Interest Rates

35. The economy has generally struggled over the last few years, initially, on the back of the Covid-19 pandemic. In early 2022, there were some signs of an economic recovery, however, the Russian invasion of Ukraine added further economic uncertainty. In particular, the impact on energy supplies led to significant commodity price rises which has been a key factor in the high inflation figures and the rising cost of living. Further economic uncertainty has been generated since October 2023 by the conflict in Israel/Palestine.

36. In the current environment the Bank of England predicts Gross Domestic Product (GDP) to be broadly flat over the next year, before it starts a slow rise.

37. The most recent Bank of England inflation report had CPI inflation at 3.9% which is above the Bank of England target of 2%. The rate of inflation has fallen gradually throughout 2023 from its peak of 10.4% in February. It is expected to fall slowly during 2024.

38. Interest rate forecasts from a range of financial institutions are monitored. These forecasts are combined into a broad view on rates upon which the Treasury Management Strategy is based. These forecasts are set out in Appendix A. These have been provided by Link Group (the Council's Treasury Management adviser) and Capital Economics (an independent forecasting consultancy).

39. At the time of writing, the Bank Base Rate is 5.25%. This is the highest level since November 2008. It is expected that this is the peak with reductions in the rate during 2024/25 to around 4.00%.

40. Both Link and Capital Economics are forecasting reductions to the Bank Rate in 2024/25, however, the pace of increase differs between the two. Capital Economics is forecasting the Bank Rate will remain at 5.25% until September 2024 and then reduce to 4.25% by March 2025. Whereas Link believe it will fall from 5.25% gradually to 4.00% by March 2025 and continue to fall to 3.00% by December 2025.

41. Borrowing interest rates maintained their elevated levels compared to the previous decade in 2023/24, during a period of financial uncertainty, with 50 year PWLB borrowing hitting 5.45% in September 2023. At the time of writing PWLB 50 year borrowing is at 4.59%.

42. For borrowing, Link Group forecast that PWLB rates will remain broadly the same until mid-2024. Thereafter, they are expected to steadily reduce. The forecast for 50 year PWLB rates is that they will be 4.50% by the end of 2024 and 3.90% by the end of 2025. Capital Economics is forecasting that rates will fall from current levels gradually. The PWLB 50 year rate is forecast to be 4.50% by June 2024 and then to drift further downwards and to reach 4.40% by the end of September 2025.

43. It should be noted that rates are expected to be volatile and unpredictable, due to risks and concerns within the financial markets.

44. The PWLB forecasts from Link Group for the year ended 31st March 2025 show:

- Five year borrowing rates at 4.20%
- Ten year borrowing rates at 4.20%
- Twenty five year borrowing rates at 4.50%
- Fifty year borrowing rates at 4.30%

CLF Borrowing Strategy - Options

45. Borrowing rates are expected to fall gradually in 2024/25, albeit slowly; there may be some advantage in timing borrowing later in the year, which will affect the amount of interest charged.

46. Forecasts suggest that short-term and variable borrowing rates are likely to be similar to longer-term borrowing rates during 2024/25. Borrowing in shorter periods may prove better value while waiting for longer-term rates to fall. Short and variable rate borrowing does carry the risk of having to re-finance the borrowing at a time when rates may not be favourable.

Gross and Net Borrowing Position

47. The Prudential Code requires the Council to explain its policy on gross and net borrowing.

48. The gross borrowing position is the actual level of external borrowing, whilst the net borrowing position is the gross borrowing position less the Council's investment balances. This level of borrowing is more than offset by the assets owned by the Council, which are valued in excess of £1.3 billion.

49. The table below shows the forecast gross and net borrowing position for the next three years. It has been assumed that the gross borrowing position is the same as the capital financing requirement for borrowing at the end of each year. The Council's cash balance is the amount assumed in the budget for calculating investment income.

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m
729.1	Gross External Borrowing	732.9	734.4	731.9
17.0	Less: Cash Balances	10.0	10.0	10.0
712.1	**Net Debt Position**	**722.9**	**724.4**	**721.9**

50. The table shows that the gross external borrowing position is expected to increase marginally in 2024/25 and 2025/26 and then fall in 2026/27. The cash balances have fallen significantly over the past few years, a further drop is expected in 2024/25 and then assumed to be constant for the two years following that. The drop is due to an increase in the internal borrowing position; cash balances have been used as a means of deferring external borrowing.

51. A breakdown of the Council's cash balances is shown in the Investment Strategy.

External and Internal Borrowing

52. Before any decisions are taken on external borrowing from either the PWLB or the money markets, a view will be taken on whether the Council should internally borrow from its own cash balances.

53. As of 31st December 2023, the Council had used £75.4m of its balances to temporarily finance capital expenditure. The use of Council balances is expected to rise by the year end to £85.6m, before any further borrowing is undertaken. This approach has been attractive as borrowing rates increased significantly in 2023/24 and have remained at an elevated level. It has therefore been financially beneficial to use a proportion of the Council's cash balances for internal borrowing.

54. Whilst this strategy operates in the short-term, the Council's cash balances have reduced significantly, meaning there will be a requirement to borrow for cash flow purposes in the near future, which will in turn reduce the underfinancing position.

55. At the time of writing, investment rates have remained elevated, but have dropped off from those seen earlier in 2023/24, especially in the longer-term periods. Markets have priced in a series of rate cuts in 2024. Investing in 2024/25, is likely to be conducted in a falling interest rate environment, depending on how quickly inflation falls back from the current levels and how the economy performs.

Pool Rates and Estimates

56. The Council's budget includes an estimate of the interest payments to be made on the debt portfolio.

57. The Council will adopt a borrowing strategy for the General Fund and the Housing Revenue Account that is consistent with the MTFP.

58. The debt estimates forecasted for the next three years are:

	2024/25		2025/26		2026/27	
	Pool Rate %	Interest £m	Pool Rate %	Interest £m	Pool Rate %	Interest £m
General Fund	2.70	12.00	2.67	11.90	2.72	12.10
Housing	3.48	10.00	3.49	10.00	3.46	9.90
Total		**22.00**		**21.90**		**22.00**

CLF Borrowing Strategy to be adopted

59. The 2023/24 strategy was set based on the Council internally borrowing £60m to £80m of the Council's borrowing requirement from its cash balances. If no further borrowing is taken, the position at the end of 2023/24 will be above this strategic target. However, due to a further debt maturity and cash flow requirements, the Council is expected to borrow up to a further £20m. This would bring the underfinancing to within the target range adopted for 2023/24.

60. A strategic target of £80m of underfinancing will be set for 2024/25 but this may be either reduced or increased in response to interest rate movements and the cash flow position. Whilst there are risks with adopting this strategy, the forecast structure of interest rates suggests that this strategy should produce lower costs to the Council in the short-term. This internal borrowing position is expected to remain at £80m for the next few years. The budget has been based on this strategy.

61. As the Housing Revenue Account maintains relatively low cash balances, the Council will maintain a policy of keeping the Housing Revenue Account fully financed at the year-end, or in line with the business plan during the year.

62. Based on current interest rate forecasts, new borrowing is likely to be focussed on short-term loans, until longer-term rates start to fall. Rates across all maturities will continue to be monitored. As rates are expected to fall slowly throughout the year there may be some advantage in borrowing later in the year. The exact timing of borrowing decisions will depend on cash flow and short-term fluctuations of interest rates.

63. Opportunities to borrow from the money market and other sources of finance will be considered.

64. The Head of Pensions and the Director of Business and Resources will monitor movements in interest rates and the borrowing requirement and will adopt a pragmatic approach to meeting changing circumstances. All actions will be reported retrospectively to Cabinet.

Sensitivity of the Forecast and Possible Strategy Response

65. The Officers and the Treasury Adviser will monitor interest rates and forecasts and may adopt the following responses to a change in sentiment:
    - If it was felt that there was a significant risk of a sharp rise in long and short-term rates, perhaps arising from a greater than expected increase in world economic activity, then the position would be re-appraised. The likely response is that fixed rate finance would be raised before interest rates increased. If this occurred, the internal borrowing position may be reduced.

    - If it was felt that there was a significant risk of a sharp fall in long and short-term rates, perhaps due to economic growth weakening more than is currently forecast, then long-term borrowing would be deferred. Rescheduling of existing fixed rate borrowings into variable or short-term fixed rate borrowings might take place.

Borrowing in Advance of Need

66. The Council 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 considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

67. In determining whether borrowing will be undertaken in advance of need, the Council will:

    - Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.

- Ensure the ongoing revenue liabilities created and the implications for the future plans and budgets have been considered.

- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.

Debt Rescheduling

68. The introduction in November 2007 of different PWLB rates for new borrowing and repayment of debt has meant that debt restructuring opportunities are now very limited.

69. Prior to these changes, the Council had made interest savings through restructuring PWLB debt. The changes have made it significantly more difficult to generate such savings.

70. For several years the rescheduling of borrowing in the debt portfolio has not occurred due to a large difference between premature redemption rates and new borrowing rates. With high levels of volatility in the markets at present, this situation may change and the position will be monitored.

71. Opportunities to make savings from switching long-term debt to short-term may occur. The potential for making short-term savings needs to be considered against the risk of having to re-finance short-term borrowings when they mature.

72. All rescheduling activity will be reported retrospectively to Cabinet.

South Tyneside Council - Treasury Management Strategy 2024/25

Part 2 – Annual Investment Strategy

Introduction

73. The Council will have regard to the Department of Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments ("the Guidance") and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and Cross Sectoral Guidance Notes.

74. The guidance from DLUHC on Local Government Investments makes the Annual Investment Strategy central to the framework in which the investment activity takes place. As part of this Strategy, the Council has to determine which investment products may be used during the year and classify these under the headings of Specified Investments and Non–Specified Investments.

75. When investing the cash balances, the prime objectives are the security of the capital sum and the liquidity of investments. The risk appetite of the Council is low in order to give priority to the security of its investments. The Council will aim to achieve the optimal return on its investments that is commensurate with the achievement of these objectives.

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

77. The Investment Office of the Pensions Service is responsible for managing the cash balances of the Council.

78. This report sets out views on the Investment Strategy to be adopted for the Council in 2024/25.

Non–Financial Investments and Loans to Third Parties

79. The DLUHC and CIPFA have extended the definition of 'investments' to include both financial and non-financial investments. The Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:

- **Treasury Management** - Arising from the Council's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

- **Service delivery** - Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

- **Commercial return** - Investments held primarily for financial return with no Treasury Management or direct service provision purpose. Risks on such investments should be proportionate to an authority’s financial capacity – i.e. that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

80. This report deals solely with treasury (financial) investments, which are regarded as part of the ‘core’ Treasury Management activity, i.e. the investment of surplus cash flow balances.

81. Non-financial investments (those that fit into the Service Delivery and Commercial Return categories) including loans to third parties cannot be considered by following the same rules on security and liquidity as would normally occur for a financial investment as generally the expenditure incurred is in support of service objectives and funded from capital resources. Before any non-financial investment or third-party loan is made the Council will undertake due diligence and seek further advice to ensure the investment is appropriate.

82. The Council’s policy on non-financial investments and loans to third parties is covered within the Capital and Investment Strategy which is reported to Borough Council along with the Treasury Management Strategy and the Medium Term Financial Plan.

Specified Investments

83. Specified Investments are those that are considered to offer the highest levels of security and liquidity. All such investments in this category must be denominated in Sterling and with a maturity of no more than one year. They include investments with the UK Government, local authorities and with bodies or schemes that meet the Council’s high creditworthiness criteria.

84. Appendix B details the investments that fall into this category and which the Council may make use of in 2024/25.

Non-Specified Investments

85. These are investments that do not fall into the category of a Specified Investment. The maximum amount of the Council’s investment portfolio that will be invested in Non-Specified Investments at any one time is £10m. This will allow the Council to lend out a proportion of its cash balances for periods of over 365 days, should it be appropriate to do so.

86. Appendix C lists the investments in this category that the Council may use in 2024/25.

Investment Counterparty List and Credit Criteria

87. The Head of Pensions and the Director of Business and Resources have delegated authority to set and revise criteria for compiling the list of counterparties that the Council lends money to and to set individual limits within the criteria.

88. The Council uses the creditworthiness service provided by Link Group, its Treasury Adviser. This service has been enhanced in recent years and now uses a modelling approach with credit ratings from the three main rating agencies (Fitch, Moody's and Standard and Poor's) forming the core element. However, it does not rely solely on credit ratings but combines these with credit watches, credit outlooks and credit default swap spreads into a weighted scoring system. The end product is a series of colour coded bands that indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the period for investment.

89. The Council is satisfied that this service gives a much improved level of assurance of security for its investments.

90. The Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthiness as there has been a tendency at any one time for one of the agencies to be much more aggressive in giving low ratings. This could, therefore, be unworkable and leave the Council with an even more limited lending list. The Link Group creditworthiness service uses ratings from all three agencies, but in a scoring system which does not give an undue weighting to just one agency.

91. Sole reliance will not be placed on the use of the Link Group's creditworthiness service. In addition, the Council will form its own views on creditworthiness and risk by using market data, information on government support for banks and the likelihood of government support. Where the Council's approach differs from that of Link Group's creditworthiness service, it is usually due to the placing of additional constraints on lending to organisations.

92. At present, the Council will only make fixed term deposits with UK banks, other local authorities, UK government organisations and selected overseas financial institutions that are domiciled in a country with a AAA credit rating. This position is kept under review.

93. The Council aims to be a responsible investor and will consider environment, social and governance (ESG) issues when investing.

94. Potential revisions to the Council's approach to setting credit ratings are monitored and changes to the counterparty list or the criteria are reported retrospectively to Cabinet, as are breaches of the limits.

95. The maximum maturity periods and amounts which can be invested with counterparties is outlined in Appendix D.

96. The Council will only lend to organisations which it believes have a high level of creditworthiness. This is defined as meeting Link Group's creditworthiness criteria, combined with the Council's in-house views.

Investment Balances

97. At the time of writing, the Council had £16.94m cash invested in the money markets. In addition, it had £75.45m internally invested in the Council's CLF, which gives a total investment balance of £92.39m. A breakdown of these amounts is shown below:

	£m
Council	
Reserves	54.03
Provisions	2.03
Capital Receipts and Unapplied Funding	13.64
Underfinancing of the CLF	(75.45)
Cash Flow	22.69
Cash Invested in Money Markets	16.94
Balances internally invested	75.45
Total Investment Balance	**92.39**

98. The Council's £92.39m balance relates to the following three elements:

- The first element is comprised of reserves, provisions and capital receipts that are held for a specific purpose such as school balances, liabilities or to partly finance the Council's capital programme.

- The second element is cash flow. This is comprised of balances not yet used for the capital programme, monies received in advance and cash held to cover the Council's regular cash flow requirements such as payroll, housing benefit and supplier payments. These monies are not available to increase the budget available to the Council.

- The third element is the internal investment of balances in the Council's CLF, which is generally referred to as the underfinancing position.

99. The balances invested in the money markets are managed in-house by the Investment Office of the Pensions Service. Investment is achieved primarily by placing money with approved institutions for fixed periods, in accordance with the Council's counterparty list.

Liquidity

100. As noted above, liquidity is one of the prime objectives when investing surplus balances. This is to ensure that the cash flow requirements of the Council can be met on a daily basis.

101. As most of the Council's investments will be term deposits, liquidity will be maintained by having a minimum of 40% of its investment portfolio maturing within three months. This limit can only be applied at the time the investment decision is made.

102. The Council can legally invest for longer than 365 days. The maximum amount to be invested for periods above 365 days has been set following a review of the Council's reserves and other cash balances, and after taking account of cash flow requirements and future spending plans as set out in the MTFP. For 2024/25 the limit is set to £10m.

103. This limit is based on a prudent view of the level of balances the Council could lend out for these periods and still maintain suitable liquidity. This limit has to be viewed alongside the Council's appetite for risk, given the economic environment and the creditworthiness of counterparties at any point in time. At the time of writing, the Council can only lend to local authorities for periods over one year.

Investment Strategy

104. When determining the investment strategy, a view on short-term interest rates is taken. Lending is then undertaken in accordance with a strategy derived from that view, subject to cash flow requirements.

105. The forecast income from investments is taken into account when the strategy is being devised. For 2024/25, it is assumed that 5% will be earned on an average cash balance invested in the money markets of £10m. This is the estimated cash position after allowing for the internal investment of cash balances as set out in the borrowing strategy.

106. A range of interest rate forecasts is shown in Appendix A. At the time of writing, the Bank Base Rate is 5.25%. Both Link and Capital Economics are forecasting the Bank Rate to remain at 5.25% into 2024/25 before falling in the second half of the financial year.

107. At the time of writing, the Council had no fixed term deposits. All funds were invested overnight to meet cash flow requirements.

108. The strategy for next year will be to invest surplus cash over a range of periods ensuring sufficient funds are available to meet everyday cash flow needs. The Council's cash flow position is expected to be similar to that experienced in 2023/24.

109. Interest earned on Housing Revenue Account balances will be allocated using the Council's average annual lending rate.

110. The view on rates and the investment strategy are continually reviewed and, if necessary, revised in the light of current and forecast market conditions.

Delegated Authority

111. The Council delegates responsibility for the implementation and regular monitoring of its Treasury Management Policies and Practices to Cabinet, and for the execution and administration of Treasury Management decisions to the Chief Financial Officer, a role that is undertaken within the Council by the Director of Business and Resources. The Head of Pensions assists the Director of Business and Resources with this role.

112. The Council has nominated the Overview and Scrutiny Co-ordinating and Call-In Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

Policy on use of external service providers

113. The Council uses Link Group as its external Treasury Management adviser. Link Group is authorised and regulated by the Financial Conduct Authority for the provision of the investment advisory service it provides as part of its Treasury Management Service.

114. The Council recognises that responsibility for Treasury Management decisions remains with it at all times and will ensure that undue reliance is not placed upon the external service providers.

APPENDIX A

INTEREST RATE FORECASTS

The tables below set out forecasts from Link Group (the Council's Treasury Adviser) and Capital Economics (an independent forecasting consultancy). The forecast within this strategy statement has been drawn from these diverse sources and from Officers' own views.

Please note that the forecasts shown below and throughout the report have taken into account the 20 basis point (0.2%) certainty rate reduction effective as of the 1st November 2012.

Link Group interest rate forecast – November 2023

(%)	*Jun 2024*	*Sep 2024*	*Dec 2024*	*Mar 2025*	*Jun 2025*	*Sep 2025*	*Dec 2025*	*Mar 2026*
Bank Rate	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00
5yr PWLB	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60
10yr PWLB	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70
25yr PWLB	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10
50yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90

Capital Economics interest rate forecast – December 2023

(%)	*Jun 2024*	*Sep 2024*	*Dec 2024*	*Mar 2025*	*Jun 2025*	*Sep 2025*	*Dec 2025*	*Mar 2026*
Bank Rate	5.25	5.25	4.75	4.25	3.75	3.25	-	-
5yr PWLB	4.40	4.30	4.20	4.10	3.90	3.80	-	-
10yr PWLB	4.50	4.40	4.30	4.30	4.20	4.10	-	-
25yr PWLB	4.80	4.60	4.40	4.40	4.50	4.50	-	-
50yr PWLB	4.50	4.50	4.40	4.40	4.40	4.40	-	-

APPENDIX B

SCHEDULE OF SPECIFIED INVESTMENTS

The investments listed in the table below are all Sterling denominated investments which are repayable/redeemable within twelve months and which can be used by the in-house investment team.

Investment	**Security/ Minimum Credit Criteria**
Debt Management Agency Deposit Facility	Government Backed
Term Deposits with the UK Government or with Local Authorities with maturities up to one year	High Security, although local authorities are not credit rated
Term deposits with credit rated deposit takers (banks and building societies) with maturities up to one year	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.
Certificates of deposit issued by banks and building societies	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.
Callable deposits with credit rated deposit takers (banks and building societies) with maturities up to one year	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.
Forward deals with credit rated deposit takers (banks and building societies) where the negotiated deal period plus the period of deposit does not exceed one year	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.

Short Term Money Market Funds. These funds do not have any maturity date, although money can be withdrawn as required	Minimum AAA rated by one of the rating agencies.
Standard Money Market and Ultra Short Duration Bond Variable Net Asset Value Funds. These funds do not have any maturity date, although money can be withdrawn within 3 days	Minimum AAA rated by one of the rating agencies.
Business Reserve Accounts and Deposit Accounts with credit rated deposit takers (banks and building societies)	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.

APPENDIX C

SCHEDULE OF NON SPECIFIED INVESTMENTS

The investments listed in the table below are all Sterling denominated investments which can be used by the in-house investment team. These investments are considered to carry additional risk, either because the term of investment is in excess of one year or because of the structure of the product. The reasons for using them and the risks associated with them are detailed below. These investments are classified as Non Specified Investments.

Investment	**Why use it and the Associated Risks**	**Security / Minimum Credit Criteria**	**Max. Maturity**
Term Deposits with the UK Government or with Local Authorities with maturities greater than one year and up to five years	Why use it? • Certainty of rate of return over the period of investment • No movement in the capital value of the deposit despite changes in the interest rate environment • Provides for opportunities to take advantage of interest rate movements Associated Risks • Illiquid, cannot be traded or repaid prior to maturity • Interest rates may rise after arranging the deposit • Potential for deterioration in credit quality if an investment is over a longer period	High Security, although local authorities are not credit rated.	5 Years
Term Deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year	Why use it? • Certainty of rate of return over the period of investment • No movement in the capital value of the deposit despite changes in the interest rate environment • Provides for opportunities to take advantage of interest rate movements Associated Risks • Illiquid, cannot be traded or repaid prior to maturity • Interest rates may rise after arranging the deposit • Potential for deterioration in credit quality if an investment is over a longer period	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.	5 Years

Certificates of deposit issued by banks and building societies	Why use it? • Certainty of rate of return over the period of investment • No movement in the capital value of the deposit despite changes in the interest rate environment • Provides for opportunities to take advantage of interest rate movements Associated Risks • Interest rates may rise after arranging the deposit • Potential for deterioration in credit quality if an investment is over a longer period	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.	5 years
Callable Deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year	Why use it? • Potentially, a higher return than using a term deposit with a similar maturity Associated risks • Illiquid, only the borrower has the right to pay back the deposit • Interest rate risk as the borrower will not pay back the deposit if interest rates rise after the deposit is made • Potential for deterioration in credit quality if an investment is over a longer period	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.	5 years
Forward deals with credit rated deposit takers (banks and building societies) where the negotiated deal period plus the period of deposit does not exceed one year	Why use it? • Known rate of return over the period of investment, which aids forward planning • Provides for opportunities to take advantage of interest rate movements Associated Risks • Credit risk is over the whole period, not just when monies are actually invested • Potential for deterioration in credit quality if an investment is made for longer than one year • Interest rates may rise after arranging the deposit	Based on the Link Group creditworthiness service. This uses information from all three rating agencies – Fitch, Moody's and Standard and Poor's - as the core element. It combines this with information on credit watches, credit outlooks and credit default swaps, to produce an overall ranking. This is subject to ongoing review by Link Group and the Council.	5 years

APPENDIX D

SOUTH TYNESIDE COUNCIL

LENDING LIST AND CRITERIA

MAXIMUM MATURITY PERIODS AND AMOUNTS

Institutions	Amount	Period
Council's Retail Bank - Lloyds	£25m	As per Link
Part Nationalised UK Banks	£25m	1 year
Other UK Banks & Building Societies	£15m	As per Link
Overseas Banks	£15m	As per Link
Short Term Money Market Funds	£15m	On call (immediate)
Standard Money Market and Ultra Short Duration Bond Variable Net Asset Value Funds	£15m	Trade plus 3-day settlement
Local Authorities	£10m	2 years
DMO	Unlimited	6 months

APPENDIX E

LIABILITY BENCHMARK

The calculation of the liability benchmark is shown in the table below using the following figures:

- External debt outstanding at the year-end assuming no further borrowing is taken, and maturing debt is not replaced.
- Opening loan debt at the start of 2023/24.
- Investments at the start of 2023/24 which are assumed to remain constant over the period.
- New borrowing requirement – general fund which is the planned prudential borrowing less any expected capital receipts in each year.
- Minimum Revenue Provision (MRP) which is the amount set aside for the repayment of the external debt.
- Forecast net loans at the end of each year shows the opening loan debt less investments and adjusts for the new borrowing and MRP applied in each year.
- Liquidity buffer of £15.0m has been agreed as the minimum level of cash required to meet the Council's liquidity needs.
- Benchmark is the net loans plus the liquidity buffer which is a theoretical calculation of what the external debt should be each year.

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m
643.5	**External Debt**	**618.5**	**618.5**	**608.5**
649.5	Opening Loan Debt	-	-	-
(35.1)	Investments as 01/04/2023	-	-	-
	Net Loans brought forward	**634.9**	**638.7**	**640.3**
32.4	New Borrowing Requirement – General Fund	17	15.5	11.7
(11.9)	MRP	(13.2)	(13.9)	(14.3)
634.9	**Net Loans carried forward**	**638.7**	**640.3**	**637.7**
15	Liquidity Buffer	15	15	15
649.9	**Benchmark**	**653.7**	**655.3**	**652.7**
6.4	**(Over)/Under Benchmark**	**35.2**	**36.8**	**44.2**

1. The table shows that the levels of external debt are below the benchmark in each year. This is not considered to be an issue of concern. The Council will need to borrow in future years, which will close the gap between the benchmark and external debt.

2. As the figures used for this indicator are estimates, small variations from the benchmark will be addressed as part of Treasury Management activity in future years.

3. External debt remains below the capital financing requirement as explained above which is the prudent total level of debt for the Council.

4. This profile is typical for many Local Authorities and is in line with expectations of both officers and the Treasury Management Advisers. The table reflects the current approved capital programme expenditure for the next five years but does not include anything beyond that. The Council will make new capital expenditure decisions in the years ahead which will increase the liability benchmark in the future. The long-term nature of the Council's existing PWLB debt and its maturity profile means that overall debt levels should remain stable in the long-term.

Appendix 7 Pay Policy Statement

South Tyneside Council

Pay Policy Statement for South Tyneside Council

1.0 Introduction

1.1 This document sets out the Council's Pay Policy in relation to the remuneration of its' employees in accordance with Section 38 of the Localism Act 2011. The Policy is subject to annual review and must be approved by Borough Council for each financial year. The Policy will be published on the Council's website as soon as reasonably practicable after approval or amendment.

1.2 The arrangements set out within this document do not extend to those employees who are employed within schools.

2.0 Definitions

2.1 The following definitions will apply throughout this policy statement:

2.2 **'Lowest-paid employees':** from 1st April 2020 those employees who are employed in jobs which are paid on Band 3, this being the lowest salary paid to employees other than apprentices. The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, it is felt inappropriate to include apprentices within the definition of lowest paid employees for the purposes of this policy statement.

2.3 **'Chief Officer':** Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989; Monitoring Officer designated under section 5(1) of that Act; Any statutory chief officer mentioned in section 2(6) of that Act; Any non-statutory chief officer mentioned in section 2(7) of that Act; Any deputy chief officer mentioned in section 2(8) of that Act.

3.0 Chief Officers

3.1 Chief Officer posts and the attributable salaries are as follows:

Role	Salary
Chief Executive	£176,386
Directors	£118,722 – 130,394
Head of Service (1)	£100,134
Head of Service (2)	£89,032 - £93,180

All of the above payments are subject to satisfactory performance as determined by the Council's Head of Paid Service.

3.2 JNC terms and conditions are incorporated into all Chief Officers' contracts of employment.

3.3 The salaries attributable to Chief Officer posts are based on:

- clear salary differentials which reflect the level of responsibility attached to any particular role; and
- rates which are reasonably sufficient to recruit and retain senior officers taking into account market conditions.

3.4 Increases in pay for Chief Officers will occur only as a result of:

- pay awards agreed by way of national/local collective pay bargaining arrangements; or
- significant changes to a Chief Officer's role which result in a higher salary being appropriate,
- recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Council and which are determined under a relevant policy relating to such payments.

3.5 Directors are paid on a pay range, as defined in 3.1.

3.6 It is expected that senior officers will perform to the highest level and performance related pay does not, therefore, form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to senior posts are changed.

3.7 Election Duties undertaken by Chief Officers

3.7.1 Fees for election and referenda duties undertaken by Chief Officers are not included in their salaries. Election fees are payable only for national elections and vary on each occasion.

3.8 **Payments to Chief Officers upon Termination of their Employment**

3.8.1 Chief Officers who cease to hold office or be employed by the Council will receive payments calculated using the same principles as any other employee, based on entitlement within their contract of employment, their general terms and conditions, and existing policies.

3.8.2 In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Council's Early Retirement and Redundancy Policy sets out provisions which apply to all employees regardless of their level of seniority.

3.8.3 The Council's Pension Scheme Policy document sets out the relevant provisions in relation to awarding additional pension entitlement.

4.0 Publication of and Access to Information Relating to Remuneration of Chief Officers

4.1 Information will be published on the Council's website in line with The Local Authorities (Data Transparency) Code 2015.

5.0 Remuneration of Lowest Paid Employees

5.1 The Council introduced 'single status arrangements' in 2010. The lowest paid employees within the authority are appointed to posts which have been evaluated using an agreed job evaluation scheme and are remunerated accordingly.

6.0 Relationship between Chief Officer and non-Chief Officer Remuneration:

6.1 The 'pay multiple' for the Council is determined by comparing the hourly pay for the highest paid employee against that of the median hourly pay for the organisation as a whole.

6.2 The Council's current pay multiple is 6.68.

7.0 General Principles Regarding Remuneration of Employees:

7.1 The salaries attributable to posts are determined via a job evaluation. Employees are remunerated according to the evaluated score of the post they hold and by reference to the salary scale existing at any given time. Some posts may include an entitlement to incremental progression.

7.2 New appointments are subject to the Council's Recruitment and Selection Policy and will generally be made at the third spinal column point of all pay bands unless there are special circumstances and payment at a higher level can be objectively justified. In the event of any employee securing a higher-graded post via internal promotion/recruitment and there being an overlap of spinal column points between their current post and bottom point of the newly secured position, then the Council will generally pay salary on the third spinal column point. Where an employee is redeployed because of redundancy or ill health, they will generally be appointed to the third spinal column point within the new band.

Appendix 8 – Rent Setting Policy

South Tyneside Council

Rent Setting Policy 2024

Our South Tyneside – A place where people live healthy, happy, and fulfilled lives




South Tyneside Council

Spread the word! THIS IS SOUTH TYNESIDE

Contents

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1. Introduction

- This policy has been developed to ensure that rent setting methods are fully understood for South Tyneside Council tenancies; the policy should be transparent and easily understood.
- South Tyneside Council will comply with the Rent Standard, which is monitored by the Regulator of Social Housing, and any other Government and Regulatory Standards around rent setting.
- The policy sets out our approach to rent setting, complies with regulatory standards and legislation, whilst ensuring that the business remains financially viable.
- South Tyneside Council will maximise income to secure rental income, to enable the delivery of high-quality services to tenants and assist with planning for future services to tenants and ensure adequate investment within its homes to keep our homes up to Decent Homes Standard.
- South Tyneside Council will ensure that rent levels remain affordable for its residents within the flexibility of the guidance.
- All rent will be set in-line with latest guidance.

2. Policy Scope

- The policy covers rent setting for current Housing Revenue Account tenancies and the mechanisms that will be used to calculate rents on an annual basis, which is in line with the prescribed government rent setting formula.
- Currently South Tyneside Council offers in the main social rented tenancies, however through the development of new homes through our new build programme we do now offer affordable rents, and we plan to increase the number of homes allocated at an affordable rent level; most new build development will charge affordable rent levels in agreement with Homes England and the affordable homes grant conditions.
- This policy does not cover rent on any garages, non-HRA residential properties or any council-owned commercial properties.
- The term ‘rent’ refers to the net rent charged in accordance with tenancies. It does not include service charges, these are based on the specific accommodation and the services provided that are attached to these properties.
- Rents are applied based on the accommodation and not based on the circumstances of individual tenants, therefore entitlement to Housing Benefit, Universal Credit or other benefits will not have an impact on the rent set for the accommodation.
- The Council will work towards formula rent, wherever appropriate, and will review rent levels on re-let to achieve this, in line with the rent standard as set by the Regulator of Social Housing.

3. Policy

- South Tyneside Council will review its rents on an annual basis, and any changes in the rent levels will be enforced on the first Monday of April each year, in line with the financial year.
- In most cases there will be a convergence to formula rent on properties that are re-let, this formula is set by central government with the aim of similar rental levels being charged for similar socially rented properties; an annual progress report on achieving formula rent will be produced by finance.
- STC has the flexibility to set rents higher than the formula rent in certain circumstances; although we will currently not look to set rents higher than formula level this will remain under review, especially for supported or specialist accommodation.
- A review of rental levels will be undertaken on individual properties following any major changes to the accommodation, such as property conversions or changes in the number of bedrooms.

Process

- South Tyneside Homes, acting on behalf of the Council, will inform all customers of any changes to their rental charge, giving them a minimum notice period of one calendar month. This will include how the new rent levels have been set, for tenants to fully understand the changes in a transparent and clear way.
- Rent payment via direct debit will automatically be updated in line with new rent levels and will be managed through South Tyneside Homes Income Team.
- For those council tenants who receive Universal Credit, DWP will need to be informed of the rental changes through the tenant's journal, which will be verified by South Tyneside Homes, tenants will not need to reapply for benefits.
- South Tyneside Council are committed to ensuring that rents remain affordable and sustainable for tenants and will adhere to a fair method of calculating social rents, as set-out within government guidance.
- The latest government guidance can be found https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing
- Under social rent policy rents will be set based on a formula that has consideration of:
  - The condition and location of a property – reflected in its value;
  - Local earnings;
  - Property size (specifically, the number of bedrooms in a property).
- The basis for the calculation of formula rents is:
  - 30 percent of a property's rent should be based on relative property values;
  - 70 percent of a property's rent should be based on relative local earnings; and

A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.

- Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.
- Rent increases are set by Department of Levelling Up Housing and Communities (DLUHC).
- Our rent is calculated over 48 weeks (49 weeks where there is an extra accounting week due to where the last Monday of the financial year falls) and rent payments are due on Monday of each week, with the exception of 4 non-charge weeks, which usually occur;
    - The last week in July and the first week in August
    - The last week in December and the first week in January

Higher Earning Households

- South Tyneside Council will not look to enforce '*fairer rent'* system at this time and rents will be based solely on the accommodation itself rather than the income levels of the household. Therefore, households earning over £60,000 will be charged the same level of rent as those earning less.
- We will keep this element of the policy under review, and as with all other elements of the policy, if this is no longer suitable for South Tyneside it will be further assessed.

Future rental products

- When new accommodation is developed by the Council, through the current housing development plan, then affordable rent levels would need to be charged, in accordance with any Affordable Homes Grant conditions.
- Affordable rents are based on local market conditions and can be charged up to 80 percent of local market rent. This limit is set by the rent standard, which is one of the regulatory standards imposed by the Regulator of Social Housing in England.
- Other products will also be considered where appropriate, such as shared ownership accommodation.

4. Performance and Evaluation

- Rental Collection is undertaken by South Tyneside Homes, as the managing agent for South Tyneside Council, and is covered within the Management Agreement.
- The collection of rent, arrears and former tenant arrears will be undertaken in accordance with South Tyneside Homes Rent Collection and Arrears Policy (including Former Tenants).
- Rental collection is monitored internally through the agreed set of Performance Indicators, which is reported through the Council's scrutiny process, Housing Performance Panel.

- The collection of rent is also monitored through the regulator Local Authority Data Return (LADR) alongside the Local Authority Housing Statistics which is submitted to DLUHC.

5. Review of the Policy

- This policy will be reviewed on an annual basis to ensure that it is kept up to date and relevant to central government guidance, changing legislation or regulation set-out by the Regulator of Social Housing which will impact on obligations to rent setting. Any changes to local housing market that would impact on the products offered would also result in a review.

6. Comments, Compliments and Complaints

- The Council strive to try and offer the appropriate guidance and support to tenants. However, we understand that some tenants may wish to offer feedback on all of the services offered by South Tyneside Council and South Tyneside Homes. You can do this by telephoning us on 0191 427 7000 or visiting our website on www.southtyneside.gov.uk.