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Northumberland County Council

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Enquiries to: Rebecca Greally

Email:

democraticservices@northumberland.gov.uk

Tel direct: 01670 622616

Date: Friday, 28 January 2022

Dear Sir or Madam,

Your attendance is requested at a meeting of the **CORPORATE SERVICES AND ECONOMIC GROWTH OSC** to be held in **MEETING SPACE, BLOCK 1, FLOOR 2, COUNTY HALL, MORPETH, NORTHUMBERLAND, NE61 2EF** on **MONDAY, 7 FEBRUARY 2022** at **10.00 AM**.

Yours faithfully

Daljit Lally
Chief Executive

To Corporate Services and Economic Growth OSC members as follows:-

D Bawn (Chair), J Beynon, L Dunn (Vice-Chair), P Jackson, M Murphy, N Oliver, A Wallace, C Taylor, M Robinson and P Ezhilchelvan

Potfolio Holders: Councillors C. Horncastle, W. Pattison, W. Ploszaj. G. Renner-Thompson, J. Riddle, G. Sanderson, J. Watson, R. Wearmouth.

Any member of the press or public may view the proceedings of this meeting live on our YouTube channel at <https://www.youtube.com/NorthumberlandTV>. Members of the press and public may tweet, blog etc during the live broadcast as they would be able to during a regular Committee meeting.

Members are referred to the risk assessment, previously circulated, for meetings held in County Hall. Masks should be worn when moving round but can be removed when seated, social distancing should be maintained, hand sanitiser regularly used and members requested to self-test twice a week at home, in line with government guidelines.



Daljit Lally, Chief Executive
County Hall, Morpeth, Northumberland, NE61 2EF
T: 0345 600 6400
www.northumberland.gov.uk



AGENDA

PART I

It is expected that the matters included in this part of the agenda will be dealt with in public.

1. APOLOGIES FOR ABSENCE

2. MINUTES

(Pages 1
- 6)

Minutes of the meetings of the Corporate Services and Economic Growth OSC held on 6th December 2021, as circulated, to be confirmed as a true record and signed by the Chairman.

3. DISCLOSURE OF MEMBERS' INTERESTS

Unless already entered in the Council's Register of Members' interests, members are required to disclose any personal interest (which includes any disclosable pecuniary interest) they may have in any of the items included on the agenda for the meeting in accordance with the Code of Conduct adopted by the Council on 4 July 2012, and are reminded that if they have any personal interests of a prejudicial nature (as defined under paragraph 17 of the Code Conduct) they must not participate in any discussion or vote on the matter.

NB Any member needing clarification must contact the Monitoring Officer at monitoringofficer@northumberland.gov.uk. Please refer to the guidance on disclosures at the rear of this Agenda letter.

4. FORWARD PLAN OF CABINET DECISIONS

(Pages 7
- 10)

To note the latest Forward Plan of key decisions. Any further changes made to the Forward Plan will be reported to the Committee.

5. BUDGET 2022/23 AND MEDIUM TERM FINANCIAL PLAN 22/26

(Pages
11 - 178)

The purpose of this report is to enable the Cabinet to make formal budget recommendations to the County Council.

The report provides the Revenue Budget for 2022-23 and Revenue Medium-Term Financial Plan (MTFP) 2022-26 and the Capital Budget for 2022-23 and Capital MTFP 2022-26, following the Government's Spending Round Announcement 2021 (SR 2021), on 27 October 2021, and the publication of the provisional Local Government Finance Settlement on 16 December 2021.

It is important to note that there may need to be some revisions to the figures following receipt of the Government's February 2022 Final Local Government Finance Settlement figures. It is proposed that any changes to the figures as a result of this announcement, which impact on the Budget

2022-23 and MTFP 2022- 26 are delegated to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.

Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services is required to attend for this item.

- 6. REVENUES AND BENEFITS POLICIES FOR 2022/23** (Pages 179 - 338)

The purpose of this report is to update Members on the policies governing the administration of Revenues and Benefits and seek approval for the updates and amendments highlighted.

Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services is required to attend for this item.

Members are asked to retain the copy of this report for Council scheduled for Wednesday 23rd February 2022.

- 7. BUDGET CONSULTATION REPORT 2022-23** (Pages 339 - 356)

This report provides a summary of results of the budget consultation undertaken between 10th December 2021 and 21st January 2022. The budget consultation helps to inform the Council's Budget and Medium-Term Financial Plan

Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services is required to attend for this item.

- 8. WORK PROGRAMME** (Pages 357 - 362)

The Committee is asked to review and note the Corporate Services and Economic Growth Overview and Scrutiny Committee Work Programme and Monitoring Report for the 2021/22 council year.

- 9. URGENT BUSINESS**

To consider such other business as, in the opinion of the Chair, should, by reason of special circumstances, be considered as a matter of urgency.

PART II

It is expected that matters included in this part of the Agenda will be dealt with in private. Reports referred to are enclosed for members and officers only, coloured pink and marked "Not for Publication".

- 10. EXCLUSION OF PRESS AND PUBLIC**

The Committee is invited to consider passing the following resolution:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as it involves the likely disclosure

of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and

- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item	Paragraph of Part I of Schedule 12A
11	7 - Contains information relating to the financial or business affairs of any particular person (including the authority holding the information).
AND	The public interest in maintaining the exemption outweighs the interest in disclosure because disclosure at this stage may prejudice the ongoing Transport and Works Act Order process.

11. THE NORTHUMBERLAND LINE

To provide Cabinet with an update on progress on the Northumberland Line project and accept receipt of the final tranche of government funding which will enable the project to move towards delivery.

Councillor Wojciech Ploszaj, Portfolio Holder for Business is required to attend for this item.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

- Declare it and give details of its nature before the matter is discussion or as soon as it becomes apparent to you.
- Complete this sheet and pass it to the Democratic Services Officer.

Name (please print):
Meeting:
Date:
Item to which your interest relates:
Nature of Registerable Personal Interest i.e either disclosable pecuniary interest (as defined by Annex 2 to Code of Conduct or other interest (as defined by Annex 3 to Code of Conduct) (please give details):
Nature of Non-registerable Personal Interest (please give details):
Are you intending to withdraw from the meeting?

1. Registerable Personal Interests – You may have a Registerable Personal Interest if the issue being discussed in the meeting:

a) relates to any Disclosable Pecuniary Interest (as defined by Annex 1 to the Code of Conduct); or

b) any other interest (as defined by Annex 2 to the Code of Conduct)

The following interests are Disclosable Pecuniary Interests if they are an interest of either you or your spouse or civil partner:

(1) Employment, Office, Companies, Profession or vocation; (2) Sponsorship; (3) Contracts with the Council; (4) Land in the County; (5) Licences in the County; (6) Corporate Tenancies with the Council; or (7) Securities - interests in Companies trading with the Council.

The following are other Registerable Personal Interests:

(1) any body of which you are a member (or in a position of general control or management) to which you are appointed or nominated by the Council; (2) any body which (i) exercises functions of a public nature or (ii) has charitable purposes or (iii) one of whose principal purpose includes the influence of public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management); or (3) any person from whom you have received within the previous three years a gift or hospitality with an estimated value of more than £50 which is attributable to your position as an elected or co-opted member of the Council.

2. Non-registerable personal interests - You may have a non-registerable personal interest when you attend a meeting of the Council or Cabinet, or one of their committees or sub-committees, and you are, or ought reasonably to be, aware that a decision in relation to an item of business which is to be transacted might reasonably be regarded as affecting your well being or financial position, or the well being or financial position of a person described below to a greater extent than most inhabitants of the area affected by the decision.

The persons referred to above are: (a) a member of your family; (b) any person with whom you have a close association; or (c) in relation to persons described in (a) and (b), their employer, any firm in which they are a partner, or company of which they are a director or shareholder.

3. Non-participation in Council Business

When you attend a meeting of the Council or Cabinet, or one of their committees or sub-committees, and you are aware that the criteria set out below are satisfied in relation to any matter to be considered, or being considered at that meeting, you must : (a) Declare that fact to the meeting; (b) Not participate (or further participate) in any discussion of the matter at the meeting; (c) Not participate in any vote (or further vote) taken on the matter at the meeting; and (d) Leave the room whilst the matter is being discussed.

The criteria for the purposes of the above paragraph are that: (a) You have a registerable or non-registerable personal interest in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice your judgement of the public interest; **and either** (b) the matter will affect the financial position of yourself or one of the persons or bodies referred to above or in any of your register entries; **or** (c) the matter concerns a request for any permission, licence, consent or registration sought by yourself or any of the persons referred to above or in any of your register entries.

This guidance is not a complete statement of the rules on declaration of interests which are contained in the Members' Code of Conduct. If in any doubt, please consult the Monitoring Officer or relevant Democratic Services Officer before the meeting.

Agenda Item 2

NORTHUMBERLAND COUNTY COUNCIL

CORPORATE SERVICES AND ECONOMIC GROWTH OVERVIEW AND SCRUTINY COMMITTEE

At a meeting of the **Corporate Services and Economic Growth Overview and Scrutiny Committee** held in the Meeting Space, Block 1, Floor 2, County Hall, Morpeth, NE61 2EF on Monday, 6 December 2021 at 10.00 am.

PRESENT

Councillor L Dunn
(Vice Chairman in the Chair)

COUNCILLORS

Beynon, J.
Ezhilchelvan, P.
Jackson, P.
Murphy, M.

Oliver, N.
Robinson, M.
Taylor, C.
Wallace, A.

OFFICERS

Lally, D.
Lancaster, H.
Greally, R.

McMillan, S.
Nicholson, S.
O'Farrell, R.
Taylor, M.
Willis, J.

Chief Executive
Senior Manager – Legal Services
Assistant Democratic Services
Officer
Assistant Service Director
Scrutiny Co-ordinator
Executive Director
Executive Director
Executive Director of Finance
(Section 151 Officer)

ALSO PRESENT

Wearmouth, R.

Deputy Leader and Portfolio Holder
for Corporate Services

17. APOLOGIES FOR ABSENCE

Apologies were received from Councillor D. Bawn.

18. MINUTES

RESOLVED that the minutes of the meeting of the Corporate Services and Economic Growth Overview and Scrutiny Committee held on 17 November 2021, as circulated, be confirmed as a true record and signed by the Chairman.

20. FORWARD PLAN OF CABINET DECISIONS

The Forward Plan of forthcoming Key Cabinet decisions was reported to the Committee. (Report enclosed with the signed minutes as Appendix A).

Members questioned why the report regarding the trading companies financial performance was in Part II. Members were advised that it had been put into Part II as member's questions regarding the report may have been commercially sensitive. J. Willis assured members that she was working with the Monitoring Officer to structure future reports.

Members were also informed that the report for Ad Gefrin had been withdrawn from the Forward Plan and would no longer be subject to pre scrutiny.

RESOLVED that the Forward Plan of key decisions be noted

21. HOUSEHOLD SUPPORT FUND

Councillor R Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services, presented the report to committee supported by Maureen Taylor, Interim Executive Director Communities and Business. The report outlined how Northumberland Communities Together would allocate the funding to support those who needed it.

The following comments were made in response to questions:-

- Members welcomed the report and expressed thanks to the Council's staff and external partners for their assistance in response to Storm Arwen.
- Members were reminded that a Storm Arwen mailbox had been set up for Councillors to contact the Council regarding concerns for residents.
- Members noted that the government advice had not been received for the previous discussion about the Household Fund. As the fund was not able to be used for Council Tax relief, officers were looking at other options and had created a mechanism that was to be more generous and hopefully help not only those for the 8% but also those just over that.
- With regard to the list of Trusted Partners and Referring Organisations, members were encouraged to help identify those groups not listed, but could assist in identifying individuals in need, to come forward to ensure that the scheme gets maximum coverage.

- Members noted that officers were confident that the Council would be able to provide support at least equivalent to full council tax scheme relief.
- Members noted that further reports, which would include information on how the Council have been able to support residents, would be presented to Cabinet and requested that they also be presented to this Committee.
- Members were reminded that a briefing had be given to all members to inform them about NCT, also NALC had invited M Taylor to make the presentation to Town and Parish Councillors and it was urged that all delegates attends.

RESOLVED the Committee agreed to advise the Cabinet that it supported the recommendations in the presentation, subject to consideration of the issues raised above.

22. NCTA DIGITAL PROGRAMME

Sarah McMillan, Assistant Service Director, presented to the Committee. The presentation gave an overview of the North of Tyne Combined Authority (NTCA) digital programme and how it would benefit the County.

The following comments were made in response to questions:-

- Members were assured that support was available to start-up businesses through multiple avenues and would be a specific response to the needs of the individual start-up.
- It was agreed that Degree Apprenticeships were an important part of what the North of Tyne were doing. The connection and links between skills, needs and business needs would be an important part of the programme.
- There was a specific programme of work that was to encourage businesses to embrace technology during the pandemic with specific funding. Due to the success of this programme it would be considered for any potential future funding to support such activity.
- It was agreed that it was important to close the digital divide, especially in rural areas. Suggested clustering would have been picked up by the wider programme. Work was underway on future programmes.

RESOLVED the Committee noted the information given.

23. DEBT RECOVERY UPDATE

Keith Teasdale, Recovery Manager, presented the report to Committee. The report gave an overview of the Council debt recovery and any outstanding debt.

The following comments were made in response to the presentation:-

- K. Teasdale agreed to share with members details regarding the “other debt” listed in the report.
- Members were happy that benchmarking the performance against other Authorities showed that the Council was performing well.
- It was confirmed that the Council responded to customers proportionally and according to circumstances when recovering debt. Members were assured that help would be given to residents who needed it.
- Members noted that sundry debts related to difficult circumstances and decisions and acknowledged the skills needed to administer this service effectively.

RESOLVED that Committee supported the recommendations in the report, subject to consideration of the issues raised above.

24. **WORK PROGRAMME**

The Committee received an update on its Work Programme for the 2021/22 council year.

RESOLVED that this information was noted.

25. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that

- (a) under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item	Paragraph of Part I of Schedule 12A
9	3 - Contains information relating to business affairs of any particular person (including the authority holding that information).
AND	The public interest in maintaining the exemption outweighs the interest in disclosure because disclosure could adversely affect the business reputation or

confidence in the person/organisation, and could adversely affect commercial revenue

25. TRADING COMPANIES' FINANCIAL PERFORMANCE 2021-22

This confidential report was presented to the Committee by Jan Willis, Interim Executive Director of Finance and Section 151 Officer, supported by Rick O'Farrell, Interim Executive Director of Regeneration. Councillor Richard Wearmouth, Cabinet Member for Corporate Services and Daljit Lally, Chief Executive were also in attendance.

The Committee welcomed the positive financial position of Advance Northumberland.

Members noted that this was the first quarterly report on financial performance of the NEHL Group and understood that further details would be included in future reports as the year progresses.

RESOLVED that the recommendations in the report be supported and to continue to receive quarter reports as they are prepared for the Cabinet.

Chairman

Date

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FORWARD PLAN OF FORTHCOMING CABINET DECISIONS FEBRUARY TO MAY 2022

DECISION	PROPOSED SCRUTINY DATE	CABINET DATE
<p>Revenues and Benefits Policies for 2022/23 The report sets out the policies that the Revenues and Benefits services operate for the administration of council tax, business rates, housing benefit and council tax support. The report is for information and approval of any updates or legislation changes that need to be made. (R. Wearmouth/G. Barnes - 01670 624351)</p>	<p>CSEG OSC 7 February 2022</p>	<p>8 February 2022 Council 23 February 2022</p>
<p>Budget 2022-23 and Medium Term Financial Plan 2022-25 The report presents the updated Budget 2022-23 and Medium Term Financial Plan 2022-25 to Cabinet following the receipt of the provisional local government settlement which is due to be announced during December 2021. The report will also include an update on the deliverability of savings. (R. Wearmouth/ A. Elsdon - 01670 622168)</p>	<p>CSEG OSC 7 February 2022</p>	<p>8 February 2022 Council 23 February 2022</p>
<p>School Admission Arrangements The report informs Cabinet of the outcomes of the consultation on School Admission Arrangements for Community and Voluntary Controlled Schools for the 2023/24 Academic Year as required by the School Admissions Code 2021. Approval (determination) of these admission arrangements is also sought. (G. Renner Thompson/S. Aviston - 01670 622281)</p>	<p>FACS OSC 3 February 2022</p>	<p>8 February 2022</p>
<p>The Northumberland Line To confirm receipt of Restoring Your Railway (RYR) funding from the Department for Transport (DfT) (W. Ploszaj/S. McNaughton - 07827 873139)</p>	<p>CSEG OSC 7 February 2022</p>	<p>8 February 2022</p>

(Confidential report)		
<p>Leisure Review – Phase 1 To request approval for the extension of the current Active Northumberland contract by twelve months to undertake a legal procurement exercise. The contract naturally expires on 31 March 2022 (J. Watson/ M. Taylor 01670 622430) (Confidential report)</p>	<p>CP OSC 2 March 2022</p>	<p>8 February 2022</p>
<p>Trading Companies’ Financial Performance 2021-22 - Position at the end of December 2021 The purpose of the report is to ensure that the Cabinet is informed of the current financial positions of its trading companies for 2021-22 (R. Wearmouth/M. Calvert - 01670 620197) (Confidential report)</p>	<p>CSEG OSC 7 March 2022</p>	<p>8 March 2022</p>
<p>Bus Service Improvement Plan/Enhanced Partnership For Cabinet to approve, subsequent to a prior consultation and objection period and statutory consultation period, the proposed Enhanced Plan and Scheme(s). The Enhanced Plan and Scheme is a proposed statutory partnership with regard to a statutory transport plan including the Bus Service Improvement Plan. Cabinet would have to approve prior to these being considered by the Joint Transport Committee on 15 March 2022. The Enhanced Plan and Scheme (s) need to be approved by deadline imposed by Central Government of 1st April 2022. (W. Ploszaj/R. O’Farrell/H. Lancaster – 01670 623323)</p>	<p>CP OSC 2 March 2022</p>	<p>8 March 2022</p>
<p>Financial Performance 2021-22 - Position at the end of December 2021 The report will provide Cabinet with the revenue financial position as at 31 December 2021 for the Council against the Budget for 2021-22. (R. Wearmouth/S. Dent 01670 625515)</p>	<p>N/A</p>	<p>8 March 2022</p>

<p>Community Chest 2022/23 To consider proposed changes to the operation of the Community Chest scheme in line with recommendations made by Elected Members as part of the recent review of Local Area Councils.</p> <p>(B. Flux/T. Kirsop - 07917 266864)</p>	TBC	8 March 2022
<p>Final Decision on statutory proposals for Atkinson House This report sets out an analysis of the representations (responses) received from interested parties to the statutory proposal published in relation to prescribed changes for Atkinson House Special School in Seghill, a secondary provision for boys with Social, Emotional and mental health (SEMH) needs in Northumberland during the four week statutory consultation that began on 13 January and closed on 10 February 2022.</p> <p>Cabinet will be required to make a final decision on whether or not to approve the prescribed changes set out in the Statutory Proposal for implementation with effect from 1 September 2022. (G. Renner Thompson/S. Aviston - 01670 622281)</p>	FACS OSC 3 March 2022	8 March 2022
<p>Blyth Relief Road To provide an update on progress made towards Blyth Relief Road and secure approval for next steps. The report will outline:</p> <ul style="list-style-type: none"> - Route alignment proposals - Key information from the Outline Business Case - Next steps <p>(W. Ploszaj/S. McNaughton 07827 873139)</p>	CSEG OSC 11 April 2022	12 April 2022
<p>Financial Performance 2021-22 – Provisional Outturn 2021-22 The report will provide Cabinet with the</p>	N/A	7 June 2022

revenue financial position as at Provisional Outturn for the Council against the Budget for 2021-22 (R. Wearmouth/S. Dent 01670 625515)		
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Budget 2022-23

and Medium Term Financial Plan 2022-26



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Northumberland County Council

CABINET

8 February 2022

Budget 2022-23 and Medium-Term Financial Plan 2022-26

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Purpose of Report

The purpose of this report is to enable the Cabinet to make formal budget recommendations to the County Council.

The report provides the Revenue Budget for 2022-23 and Revenue Medium-Term Financial Plan (MTFP) 2022-26 and the Capital Budget for 2022-23 and Capital MTFP 2022-26, following the Government's Spending Round Announcement 2021 (SR 2021), on 27 October 2021, and the publication of the provisional Local Government Finance Settlement on 16 December 2021.

It is important to note that there may need to be some revisions to the figures following receipt of the Government's February 2022 Final Local Government Finance Settlement figures. It is proposed that any changes to the figures as a result of this announcement, which impact on the Budget 2022-23 and MTFP 2022-26 are delegated to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.

Recommendations

The Cabinet is requested to make the following recommendations to the County Council:

- 1. Note that the figures contained within the Budget 2022-23 within Appendix 1 are based on the provisional Local Government Finance Settlement of 16 December 2021.**
- 2. Approve the revenue budget for 2022-23 including, the budget balancing target totalling £9.704 million contained within Appendix 1.**
- 3. Note the Revenue MTFP covering the period 2022-26 detailed within Appendix 1 and the requirement to deliver budget balancing measures in both 2023-24 and 2024-25 of £14.000 million and £12.732 million in 2025-26.**
- 4. Note the estimated receipt of Revenue Support Grant of £10.838 million for 2022-23 contained within Appendix 1.**
- 5. Note the estimated retained Business Rates and the Top-Up grant funding to be received by the Council for 2022-23 of £86.801 million and £278.304 million over the remaining period of the MTFP.**
- 6. Note the estimated deficit from prior years on Collection Fund Business Rates balances of £12.547 million in 2022-23 and £0.342 million in 2023-24.**
- 7. Note the estimated receipt of Rural Services Delivery Grant of £2.456 million for 2022-23.**
- 8. Note the estimated receipt of the New Homes Bonus of £3.983 million for 2022-23.**
- 9. Note the total estimated receipt of Improved Better Care Funding grant of £12.495 million for 2022-23.**
- 10. Note the estimated receipt of Social Care grant funding of £13.287 million for 2022-23.**
- 11. Note the estimated receipt of non-recurrent Market Sustainability and Fair Cost of Care Grant of £1.027 million in 2022-23.**
- 12. Note the estimated receipt of non-recurrent Lower Tier Services Grant of £0.451 million in 2022-23.**
- 13. Note the estimated receipt of the non-recurrent Services Grant of £4.751 million in 2022-23.**
- 14. Approve a 1.99% increase in Council Tax for 2022-23, noting that this is in line with the Government's assumptions regarding the Council's Core Spending Power: and, within the Government's referendum limit of 2.00%.**
- 15. Note that the MTFP 2022-26 includes a 1.99% annual increase in Council Tax for the remaining years of the MTFP and, that an estimate of annual tax base growth has been included.**

16. Note the non-collection rate for Council Tax purposes remains at 1.00% for 2022-23 (1.00% in 2021-22).
17. Note the estimated surplus and deficit from prior years on the Collection Fund Council Tax balance, comprising a surplus of £4.215 million for 2022-23 and a deficit of £0.554 million for 2023-24.
18. Approve a 1.00% increase in Council Tax for 2022-23 for use on Adult Social Care services; raising an additional £2.119 million to support the Budget 2022-23, and note the assumed increase included in the MTFP of 1.00% for 2023-24 and 2024-25.
19. Approve the remainder of the 3.00% allowed by Government in 2021-22, an increase of 1.25% in Council Tax in 2022-23 for use on Adult Social Care services; raising an additional £2.648 million to support the budget in 2022-23.
20. Approve the Reserves Policy for 2022-23 detailed in Appendix 2.
21. Note the Schedule of Reserves and Provisions contained within Appendix 3.
22. Approve:
 - (a) the net contributions to the Strategic Management Reserve of £1.587 million in 2022-23 and note the proposed contributions from reserves of £10.216 million in 2023-24, £15.494 million in 2024-25 and £2.953 million in 2025-26, comprising:
 - non-recurrent pressures of £3.338 million for 2022-23, and note the non-recurrent pressures totalling £2.834 million in 2023-24; £0.409 million in 2024-25 and £0.909 million in 2025-26 (as detailed within Appendix 8 excluding the Transformation Programme),
 - the Active Northumberland Management fee of up to £1.000 million in 2022-23, and note the Active Northumberland Management fee of up to £1.000 million in 2023-24,
 - delayed receipt of investment income of £1.025 million in 2022-23; and note that delayed receipt of investment income of £0.513 million is forecast for 2023-24 and that interest of £0.398 million will be repaid into the reserve in 2024-25 and 2025-26 in this respect,
 - revenue contribution to capital (RCCO) of £12.231 million in 2024-25 and £2.442 million in 2025-26 for the Schools' Development Programme,
 - contribution to the reserve of £6.950 million in 2022-23 and note the subsequent proposed use of £5.869 million in 2023-24, and £3.252 million in 2024-25 in order to balance the budget.
 - (b) the use of the Severe Weather Reserve of £2.500 million in 2022-23, to fund the RCCO for the Todstead Landslip project, and

- (c) the use of the Contain Outbreak Management Reserve of £0.132 million in 2022-23, to fund the RCCO for the Multi Use Vehicles.
23. Approve the use of the General Fund Reserve: £25.000 million in 2022-23 to be set aside as a voluntary minimum revenue provision (MRP) to enable the Council to repay debt at an appropriate time in the future and note the proposal to use a further £7.850 million in 2024-25 for the same purpose.
 24. Approve the use of the Regeneration Additional Capacity Reserve of £0.190 million in 2022-23, to contribute to the funding of Regeneration staffing costs.
 25. Approve the use of the Council Transformation Fund Reserve of £3.000 million in 2022-23 and note the use of £3.000 million from this reserve in financial years 2023-24 and 2024-25.
 26. Approve the use of the Collection Fund Smoothing reserve of £10.129 million in 2022-23, to part fund the 2021-22 forecast deficit of the Business Rates element of the Collection Fund, and prior year deficits on Business Rates and Council Tax; and note the proposed use of this reserve in 2023-24 to fund £0.896 million Collection Fund deficit; being the final year of the 2020-21 Council Tax and Business Rates deficits spread over 3 years.
 27. Note:
 - a) the Schedule of Service Specific grants of £238.825 million contained within Appendix 4.
 - b) the 2022-23 Public Health grant allocation of £16.891 million contained within Appendix 4, and it's proposed usage.
 28. Approve the Inflation Schedule for 2022-23 totalling £19.767 million detailed in Appendix 5.
 29. Approve the Recurrent Growth and Pressures Schedule of £8.746 million and the additional revenue costs associated with the Capital Programme of £6.081 million for 2022-23; and note the growth and pressures of £2.609 million in 2023-24; £3.261 million in 2024-25; and, £0.906 million in 2025-26 and the additional revenue costs associated with the capital programme of £5.907 million in 2023-24; £16.878 million in 2024-25; and £5.783 million in 2025-26 included within Appendices 1, 6 and 7.
 30. Approve the Non-Recurrent Pressures of £6.338 million for 2022-23 and note the non-recurrent pressures of £5.834 million for 2023-24; £3.409 million for 2024-25 and £0.909 million for 2025-26 included within Appendix 8.
 31. Approve the Non-Recurrent Income of £2.770 million for 2022-23 and note the non-recurrent income of £0.466 million for 2023-24 included within Appendix 8.
 32. Approve the identified budget balancing measures contained within Appendix 9 of £9.704 million for 2022-23; and note those budget balancing measures totalling £10.466 million already identified for 2023-24 to 2025-26.

33. Note the Corporate Equality Impact Assessment at Appendix 10.
34. Note the Budgets by Service Area 2022-23 detailed in Appendix 11.
35. Note the receipt of Dedicated Schools Grant of £152.123 million in 2022-23; and note the revised allocation of £146.729 million for 2021-22. This is following the conversion of one school to academy status during 2021-22.
36. Agree the Housing Revenue Account 2022-23 budget as detailed within Appendix 12, which will reduce the balance on the HRA reserve from £29.596 million at 31 March 2022, to £22.011 million at 31 March 2023; and note the indicative budgets to 2025-26 which will reduce the balance on the HRA reserve to £16.637 million.
37. Note that from 1 April 2022 in line with the Rent Standard for rent setting for Council tenants, the budget detailed in Appendix 12 assumes that rents and service charges will rise by the Consumer Price Index of 3.10% plus 1.00% for the period 1 April 2022 to 31 March 2023.
38. Approve the increase of 4.10% for Housing rents from 1 April 2022.
39. Note the indicative 30-year Housing Revenue Account business plan as detailed within Appendix 12.
40. Note that £48.221 million has been set aside over the 4-year period 2022-23 to 2025-26 in the HRA Capital Programme to invest in Affordable Housing. Details are set out in Appendix 12.
41. Approve the Capital Strategy 2022-23 to 2025-26 contained within Appendix 13.
42. Approve the revised Capital Programme as detailed within Appendix 14; and the projects highlighted within the main body of the report which will complete after 2025-26; and note the changes in the Capital Programme 2022-26 of £118.380 million detailed in Appendix 15.
43. Approve the delegation of the detail of the final Local Transport Programme and any subsequent in-year amendments to the Executive Director responsible for Local Services and the Leader of the Council.
44. Approve the delegation of the detail of the capital allocation for highways maintenance investment in U and C roads and footpaths to the Executive Director responsible for Local Services and the Leader of the Council.
45. Agree delegation to Cabinet to approve individual projects which propose to utilise the flexibilities of capital receipts.
46. Agree a delegation which enables the Cabinet to approve expenditure and funding for projects (revenue and capital) to be added to the budget which are 100.00% grant funded.
47. Approve the Prudential Indicators based on the proposed Capital Programme detailed within Appendix 16.

- 48. Approve the Annual Minimum Revenue Provision Policy detailed in Appendix 17.**
- 49. Approve the proposed Treasury Management Strategy Statement 2022-23 detailed in Appendix 18.**
- 50. Approve a delegation to amend the Budget 2022-23 and MTFP in light of any changes as a result of the final Local Government Finance Settlement to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.**

Key Issues

1. In February 2021, the Council approved the Budget for 2021-22 and the Medium-Term Financial Plan (MTFP) covering the period 2021-24.
2. This report updates the MTFP position; and the budget for 2022-23, following the Spending Round Announcement 2021 (SR 2021) on 27 October 2021 and the provisional Local Government Finance Settlement on 16 December 2021. The final settlement is not due until February 2022, which could alter the financial position. It is proposed that any changes to the figures as a result of this announcement, which impact on the 2022-23 Budget and the 2022-26 MTFP are delegated to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.
3. The report sets out in detail the budget balancing proposals for 2022-23 and illustrates that there is a requirement to deliver efficiencies equating to £9.704 million in 2022-23; and £40.732 million over the period 2023-26.
4. The report also sets out the forecast budget position for the financial year 2022-23. Whilst the position represents the best estimate at the current time, the income streams available to the Council are likely to change.
5. The Government consultation "Fair funding review: a review of relative needs and resources", a technical consultation on relative need, concluded on 12 March 2018. The Secretary of State had said that the results of the review would be introduced in 2020-21. The Secretary of State also confirmed that there would be a business rates baseline reset in 2020-21; and, from 2020-21, business rates retention would be at 75%.
6. The Government was expected to publish its Spending Round (SR) in the summer of 2019 covering a three-year period. Due to the on-going uncertainties around Brexit the Government announced on 8 August 2019 that the SR would be delayed until 2020 with another one-year settlement for local government for 2020-21. It was expected that, following the UK's departure from the European Union, the UK economy would be on a less turbulent footing in 2020. However, the impact of Covid-19 has created a far greater uncertainty than caused by Brexit and as a result the Government announced on 25 November 2020 a further one-year SR. Following this, on 27 October 2021 the Government announced a three-year SR, and shortly after this on the 16 December 2021, a one-year funding settlement for 2022-23. Given the uncertainty of future funding this report concentrates on the revenue budget for 2022-23. The budget beyond 2022-23 therefore contains a number of assumptions.
7. It was also expected that the outcome of the Fair Funding Review (FFR) including the move to 75.00% Business Rate Retention would be published during 2021. In line with the delays to Brexit and the impact of Covid-19 highlighted above the outcome of the FFR and review of Business Rates will also be delayed by at least one more year and possibly implemented in 2023-24.
8. The MTFP will be updated for future years once this information is available.

9. The on-going Covid-19 pandemic continues to impact the financial position of the Council. There is greater demand for Council services to provide vital support to the community. There continues to be increased financial pressure through lost income and increased expenditure, particularly through Business Rates income. In previous years the Government has implemented measures to support councils with these burdens and has also provided additional grant funding to help offset these pressures. The SR 2021 and provisional Local Government Finance Settlement of 16 December 2021 announced measures to continue to support specific local businesses with the financial burdens caused by the Covid-19 pandemic. However, unlike previous years no general Covid-19 grant support has yet been announced to assist councils with the continued wider financial burdens caused by the pandemic.
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Report Author: Alison Elsdon

Service Director: Finance

Telephone: 07796 652072

Alison.Elsdon@northumberland.gov.uk

BUDGET 2022-23 AND MEDIUM-TERM FINANCIAL PLAN 2022-26

BACKGROUND

National Context

1. The Government is currently reviewing the funding mechanisms for Local Government. As part of the provisional Local Government Finance Settlement of 19 December 2017 the Secretary of State launched a “Fair funding review: a review of relative needs and resources” consultation which concluded 12 March 2018. The Secretary of State had said that the results of the review would be introduced in 2020-21. The Government is looking to allocate resources to local authorities based on assessed need. This will be done using a number of key indicators which considers factors such as deprivation and sparsity, amongst others. Once need is assessed, resources will be allocated to individual authorities through the Business Rates Retention mechanism.
2. The Government is also considering the system that will be used to calculate and allocate Business Rates across the sector. Although it is not yet clear, many of the core grants within the MTFP will disappear and will be replaced with retained locally collected Business Rates. As part of the provisional Local Government Finance Settlement of 19 December 2017 the Secretary of State announced that there would be a business rates baseline reset in 2020-21; and, from 2020-21, business rates retention would be at 75.00% instead of 50.00%. The reset when it occurs will see National Non-Domestic Rates (NNDR) baselines adjusted to reflect the amounts local authorities are collecting in business rates (currently it is based on the amounts collected in 2010-11 and 2011-12).
3. The Government subsequently published two further consultation papers as part of the provisional Local Government Finance Settlement on 13 December 2018. The consultations concluded on 21 February 2019:
 - “A review of local authorities’ relative needs and resources” - a technical consultation on the assessment of local authorities’ relative needs, relative resources and transitional arrangements”; and,
 - “Business Rates Retention Reform - Sharing risk and reward, managing volatility and setting up the reformed system” - a consultation on the proposed 2020-21 Redesign and Reset of the Business Rates Retention (BRR) scheme.
4. SR 2019 announced that the outcome of the FFR and review of Business Rates would be delayed by one year until 2020, with implementation in 2021-22. However, SR 2020 further delayed the outcome of these reviews by at least one year and following this SR 2021 made no reference to when the FFR would be implemented. It is expected that the FFR will be delayed by at least one year and possibly implemented in 2023-24. In the absence of the outcome of these reviews it remains difficult to accurately forecast the financial position for the Council

beyond 2022-23. However, for the purpose of the MTFP it is assumed that the Council will continue to retain 50.00% of business rates.

5. The on-going Covid-19 pandemic continues to place great pressure on the nation's finances. Local authorities are not exempt from this and have seen their finances come under significant pressure. The Government has previously recognised this and has implemented a number of measures to assist local authorities. Without these interventions many local authorities simply would not have been able to balance their budgets and it is likely that there would have been several Section 114 notices issued. The financial burden on local authorities will continue into 2022-23, but the provisional Local Government Finance settlement announced on 16 December 2021 made no provision for continued financial support through the general Covid support grant from Government.
6. The position will be monitored closely and the MTFP will be updated once more information is available.

Provisional Local Government Financial Settlement

7. The 2022-23 provisional Local Government Finance Settlement was announced by Government on 16 December 2021. The settlement covers the financial year 2022-23. Beyond this, the report identifies that the Government intends to change the funding mechanism for the sector from 2023-24. This report therefore utilises the financial data that was published as part of this announcement. Beyond that period the figures have been forecast as identified in this report. The final Local Government Finance Settlement is due in February 2022. Members are requested to note that the figures from the provisional settlement are included within Appendix 1. **(Recommendation 1)**
8. It is recommended that the Council approves the Budget 2022-23 (Appendix 1) including the requirement to implement budget balancing measures totalling £9.704 million. **(Recommendation 2)**
9. Members are requested to note the MTFP at Appendix 1 including the requirement to deliver budget balancing measures totalling £14.000 million in both 2023-24 and 2024-25 and £12.732 million in 2025-26. **(Recommendation 3)**

Settlement Funding Assessment and Revenue Support Grant

10. The Settlement Funding Assessment is a combination of resources received from Revenue Support Grant and Baseline Funding (including Top up Grant).
11. From 2016-17 the methodology in determining the Settlement Funding Assessment reduction changed. Instead of a flat rate cut across all authorities, as has been done in the past, Government has taken into account the ability of each authority to raise Council Tax locally (including increases in the Tax Base, Council Tax rate and inflationary uplift). Under this methodology, where an authority has greater capacity to raise resources locally through Council Tax, Revenue Support Grant has been reduced.

Revenue Support Grant

12. The Revenue Support Grant to be received in 2022-23 is £10.838 million, which includes a CPI inflationary uplift of 3.10%. There is no announcement beyond 2022-23. However, for the purposes of the MTFP it is assumed that the grant remains unchanged for the remainder of the period of the MTFP. The MTFP at Appendix 1 contains details of the Revenue Support Grant, which Members are asked to note. **(Recommendation 4)**.

Baseline Funding

13. This is the Government's assessment of what the Council should generate from Business Rates income to meet assessed need. It comprises two elements: Assessed Retained Business Rates income and a Top up Grant. The grant is provided to top up the Government's assessed retained Business Rates income to the Baseline Funding level applicable for the Council.
14. Prior to 2019-20 the Council retained 50.00% of the Business Rates it collected and was classified as a Top-Up authority. This meant that the Council received a Top-Up grant over and above the 50.00% locally retained Business Rates, which increased the overall funding the Council expected to receive from Business Rates to the assessed baseline level.
15. In 2019-20 the success of the North of Tyne combined authority bid to the Government to become a 75.00% Business Rates Retention Pilot allowed the region to retain 75.00% of the net Business Rates Income for the authorities involved in the pool. The pilot ended on 31 March 2020 and the Government's assessed Baseline Funding level for the Council (including Top up grant) reverted to 50.00% retention of Business Rates income. This position continues for 2022-23 and is assumed to remain unchanged over the period of the 2022-26 MTFP, in the absence of the outcomes of the Fair Funding Review and Review of Business Rate Retention Scheme.
16. As stated above, the Baseline Funding level is the Government's assessment of what the Council should achieve through retained Business Rates income (including Top up Grant) to meet assessed need. However, any variation in the actual level of Business Rates income collected will result in a variation from the assessed Baseline Funding level and a shortfall or excess in Business Rates funding.
17. It should be noted that there are risks to Northumberland's business rates income as a result of factors such as the success of appeals. This makes financial planning and forecasting complex. It is forecast that the Council's provision for Business Rate appeals will be £15.984 million by 31 March 2022 (£14.989 million at 31 March 2021). This figure excludes NHS Foundation Trust appeals but includes the estimated reductions for known appeals including GP surgeries and the material change of circumstances for office spaces because of Covid-19.

18. As announced at SR 2021, the business rates multiplier has been frozen for 2022-23. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain unchanged.
19. Members are requested to note the following table which shows the Council's estimated value of locally retained Business Rates and Top-up grant payments included in the MTFP 2022-26; based on 50.00% retention of Business Rate income. Any variation from these figures will ultimately result in a surplus or deficit which will impact on the Budget and MTFP. **(Recommendation 5)**

	Estimated Retained Business Rates £m	Top-Up Grant Funding £m	Total £m
2022-23	59.266	27.535	86.801
2023-24	61.390	28.471	89.861
2024-25	63.862	29.097	92.959
2025-26	65.834	29.650	95.484

20. The provisional Local Government Finance Settlement announced that for 2022-23 the Multiplier Cap Grant, which is included within the Core Spending power calculation, was based on a CPI inflationary uplift of 3.10%. However, the provisional Local Government Finance Settlement confirmed this would be increased to RPI (approximately 4.90%) for the final Local Government Finance Settlement. The estimated retained business rates income figure for 2022-23 in the table above includes the multiplier cap grant and is assumed at RPI. Should the final Local Government Finance Settlement in February 2022 not confirm this change the MTFP will be updated accordingly for the reduction in multiplier grant funding.
21. In addition to the figures in the table above the Government previously announced that it would allow local authorities to spread any deficit on the Collection Fund which was attributable to business rates in 2020-21 over three financial years, to ease the Covid-19 burden. The MTFP includes the remaining two year spread, equating to £0.342 million within 2022-23 and £0.342 million in 2023-24. The funding for this will be transferred from the earmarked Collection Fund Smoothing Reserve in 2022-23 and 2023-24 to offset this pressure. The transfer from the Collection Fund Smoothing Reserve is contained within the MTFP, shown in Appendix 1. **(Recommendations 6 and 26)**
22. Also, normal accounting rules require that any forecast deficit on the Business Rates element of the Collection Fund from the prior year, must be charged to the General Fund in the following financial year. Within 2021-22 there is a forecast deficit of £12.547 million (including the £0.342 million spread deficit from 2020-21) on the Business Rates element of the Collection Fund which is charged to 2022-23, as shown in Appendix 1. This deficit is largely because of the Retail,

Hospitality and Nursery reliefs granted by Government on Business Rates, within 2021-22. This was a national scheme which was designed to assist businesses to deal with the financial impact of Covid-19. Members are asked to note the 2021-22 forecast deficit charged to General Fund in 2022-23 and 2023-24. **(Recommendation 6)**

23. To compensate local authorities for the loss of Business Rates Income from Retail, Hospitality and Nursery reliefs, Government has provided grant funding in 2021-22 of £9.233 million to fully cover the cost of these reliefs. This funding will be transferred to the earmarked Collection Fund Smoothing Reserve in 2021-22 and then fully utilised in 2022-23 to offset this pressure. The transfer from the Collection Fund Smoothing Reserve is contained within the MTFP, shown in Appendix 1. **(Recommendation 26)**
24. The provisional Settlement of 16 December 2021 made no announcement regarding any potential non-recurrent funding as a result of a surplus on the national Business Rates Retention Levy/Safety Net account. The position will be monitored and the MTFP updated should this be announced.
25. As mentioned previously the Business Rates projections contained within the MTFP have not been inflated in 2022-23 in line with Government freezing the Business Rates Multiplier, which is to help ease the Covid-19 impact on businesses. Beyond 2022-23 the projections have been inflated annually by forecast CPI: 3.40% (2023-24), 2.20% (2024-25) and 1.90% (2025-26).
26. Known business rates growth and reductions have also been forecast for all years, along with an additional income allowance of £0.075 million per annum in each year to accommodate other general growth and a 1.00% reduction in net rates payable to account for the economic impact of Covid-19.
27. These figures are subject to the risks identified above and any changes to the figures will affect the level of savings required to balance the Council's budget.
28. Through the Business Rates Retention Scheme, the Council not only faces a significant risk of reduced funding if Business Rates decline, but it also could increase funding by encouraging new business within and to the area. In most cases under the current scheme the Council will be allowed to retain 50.00% of any new Business Rates within the area; and in the case of renewable energy the Council can retain 100.00% of Business Rates collected.

Rural Services Delivery Grant

29. The Rural Services Delivery Grant to be received in 2022-23 remains unchanged from 2021-22 at £2.456 million. There is no announcement beyond 2022-23 pending the outcome of the Fair Funding Review and implementation of the new system for Business Rates retention. However, for the purposes of the MTFP it is assumed that the grant remains unchanged, and Members are requested to note the grant. **(Recommendation 7)**

New Homes Bonus

30. The New Homes Bonus was first introduced in 2011-12. For each newly built house or conversion the Council received a reward of the national average Council Tax for the relevant band. Long-term empty properties which have been brought back into use have also been included in the reward and there is a premium for affordable homes. The scheme originally paid grant for six years.
31. There were changes made to the scheme with effect from 2017-18 following the outcome of the consultation "New Homes Bonus: Sharpening the Incentives". These included:
 - A move to 5-year payments for both existing and future New Homes Bonus allocation in 2017-18; and, then to 4 years from 2018-19.
 - The introduction of a national baseline of 0.40% from 2017-18, below which grant would not be paid.
 - A statement by the Government that it would retain the option of adjusting the baseline in future years to reflect significant and unexpected housing growth.
 - A statement by Government that it would not introduce the proposals to withhold payments for areas without a local plan in 2017-18. However, it said that the issue would be revisited for 2018-19.
32. The provisional Local Government Finance Settlement of 16 December 2021 announced that there would be a new allocation for 2022-23 (with no legacy payments), plus the final legacy payment from 2019-20. The rest of the scheme remains unchanged from 2021-22.
33. The Council expects to receive New Homes Bonus grant funding of approximately £3.983 million for 2022-23; thereafter it is less clear, and no announcement has been made by the Government. The MTFP assumes there will be no allocation beyond 2022-23. The funding supports the overall revenue budget of the Council and Members are requested to note the inclusion of the grant in the Council's MTFP shown at Appendix 1. **(Recommendation 8)**

Improved Better Care Funding Grant

34. The Government's December 2021 provisional Local Government Finance Settlement confirmed that the Government proposes to roll-forward the 2021-22 distribution of the Improved Better Care Funding grant. The grant will continue to be required to be pooled as part of the Better Care Fund. Alongside maintaining the existing distribution formula, Government proposes to increase the 2022-23 Improved Better Care Funding grant by £63.000 million. This is an inflationary uplift on the 2021-22 allocation in line with the change in the 12-month September Consumer Price Index (3.00% CPI).
35. The Council will receive Improved Better Care Funding grant of £12.495 million in 2022-23. This grant allocation is not ring fenced and is intended to help address some of the financial pressures faced by councils, including those in Adult and

Children's social care. There is no guarantee that this funding will continue beyond 2022-23. However, it has been assumed within the MTFP that this grant will continue at its current level over the duration of the MTFP. The position will be monitored and the MTFP will be updated if required. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 9)**

Social Care Support Grant

36. The Government's December 2021 provisional Local Government Finance Settlement confirmed additional funding of £636.000 million nationally for adults and children's social care.
37. In total the Council will receive Social Care Grant of £13.287 million in 2022-23. There is no guarantee that this funding will continue as the Finance Settlement was for one year only. However, the MTFP assumes that this funding will continue at its current level over the period of the MTFP. The position will be monitored and the MTFP will be updated if required. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 10)**

Market Sustainability and Fair Cost of Care Grant

38. The December 2021 provisional Local Government Finance Settlement announced a non-recurrent grant allocation of £162.000 million nationally.
39. This is a new grant to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care. Local authorities are to carry out the following activities:
 - Conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it.
 - Engage with local providers to improve data on operational costs and number of self-funders.
 - Strengthen capacity to plan for, and execute, greater market oversight; and,
 - Use funding to increase fee rates, as appropriate to local circumstances.
40. There are conditions associated with this grant which the Government is currently finalising. The Council will receive £1.027 million in 2022-23. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 11)**

Lower Tier Services Grant

41. The December 2021 provisional Local Government Finance Settlement announced a non-recurrent grant allocation of £111.000 million nationally. This is a technical grant to ensure floors in the funding formula are negated, and local authorities do not receive an annual reduction in the Government's assessment of Core Spending power. The Council will receive £0.451 million in 2022-23.

Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 12)**

Services Grant

42. The December 2021 provisional Local Government Finance Settlement announced a new non-recurrent grant allocation of £822.000 million nationally for 2022-23.
43. This is an un-ringfenced grant with no reporting requirements and is intended to provide funding to all tiers of local government in recognition of the vital services.
44. The grant makes provision for the increase in National Insurance for social care purposes, which equates to approximately £0.959 million in 2022-23 for Northumberland. However, at this point it is unclear how this would be funded recurrently if this grant is not made available to local authorities beyond 2022-23.
45. Government has said that whilst the funding will remain within the local government funding envelope beyond 2022-23 it will be distributed differently. There are therefore no guarantees that the Council will receive any of this funding beyond 2022-23.
46. The Council will receive £4.751 million in 2022-23. Members are asked to note the grant receipt. **(Recommendation 13)**

Council Tax

47. The budget proposals for 2022-23 contained within this report assume that the Council will agree to increase the Council Tax by 1.99% and Members are requested to approve the increase. **(Recommendation 14)**
48. The December 2021 provisional Local Government Finance Settlement set the referendum limit for general Council Tax increases at 2.00%. For the purposes of this report the increase used in 2022-23 is 1.99%. The MTFP assumes that the limit will remain at 2.00% in line with the SR 2021 announcement, and an increase of 1.99% has been included for all years over the period of the MTFP. Members are requested to note this assumption. **(Recommendation 15)**
49. There has been no Government decision to implement referendum limits for Town and Parish Councils.
50. An assessment of potential housing development across the County has been undertaken and an estimate of the growth in the tax base has also been included within the MTFP.
51. The increase in the tax base and the 1.99% inflationary increase in 2022-23 provides additional funding of approximately £6.278 million which helps to retain the levels of service the Council provides; as well as reduce the value of measures required to balance the budget to the levels shown within the MTFP. It is also worth highlighting that the Government's Core Spending Power calculation assumes that the Council will apply an inflationary uplift to Council Tax each year

and that there is growth in the Council Tax Base figure.

52. The provision for non-collection of Council Tax remains at 1.00% for 2022-23, following a review of actual collection rates and the impact of Covid-19. **(Recommendation 16)**
53. It is forecast that the Council's share of the Council Tax element of the Collection Fund will generate a surplus of approximately £4.215 million by 31 March 2022. This is largely due to an increase in the tax base due to additional properties. **(Recommendation 17)**
54. Accounting rules require any surplus to be transferred to the General Fund within the following financial year. However, SR 2020 announced that the Government would allow authorities to spread any 2020-21 in-year deficit over three financial years to help ease the burden created by Covid-19. The MTFP includes the remaining two year spread of the 2020-21 deficit, equating to £0.554 million within 2022-23 and £0.554 million in 2023-24. The surplus figure of £4.215 million shown in 2022-23 is net of the £0.554 million deficit from 2020-21. The funding for these deficits will be transferred from the earmarked Collection Fund Smoothing Reserve in 2022-23 and 2023-24 to offset this pressure. The transfer from the Collection Fund Smoothing Reserve is contained within the MTFP, shown in Appendix 1. **(Recommendations 17 and 26)**
55. The Council agreed at its meeting on 3 November 2021 to continue with the 2021-22 local Council Tax Support Scheme unchanged for 2022-23; that is, the maximum level of support for working age claimants will be 92.00%. This report, and the Budget 2022-23 and MTFP 2022-26 at Appendix 1 includes the estimated cost of the full scheme to the Council of £24.021 million.
56. In addition to this the Council Tax Discount Policy has been updated for 2022-23 to include a hardship payment of up to £200 per household. This is being funded from the underspend on the Local Council Tax Support grant which will be carried forward into 2022-23. The Council Tax Discount Policy is included in the report "Approval of Revenues and Benefits Policies for 2022-23" which will be presented to Cabinet and Council along with this report.
57. The Spending Review 2015 introduced the concept of an Adult Social Care Precept.
58. The provisional Local Government Finance Settlement announced by the Government on 16 December 2021 allows local authorities to add an Adult Social Care precept to its budget. Councils can levy an additional 1.00% on council tax in 2022-23 in relation to Adult Social Care. The total funding raised through this precept has to be spent entirely on Adult Social Care.
59. The Council's MTFP included at Appendix 1 assumes that a 1.00% increase is applied in 2022-23 and 2023-24 and 2024-25. This will generate additional recurrent funding of approximately £2.119 million for Adult Social Care purposes in 2022-23. For 2022-23 this will result in a Band D property increase of £18.24. It is proposed that Council Tax is increased for the Adult Social Care precept by 1.00%

in 2022-23, and Members are asked to note the assumed increase for 2023-24 and 2024-25. **(Recommendation 18)**

60. Members are also requested to approve an Adult Social Care precept increase of 1.25% for 2022-23, which is the balance of the 3.00% precept allowed in 2021-22. This will generate additional recurrent funding of approximately £2.648 million for Adult Social Care purposes in 2022-23. For 2022-23 this will result in a Band D property increase of £22.80. **(Recommendation 19)**

RESERVES AND PROVISIONS

61. The Council has several reserves and provisions set aside for specific purposes and to meet potential significant general unforeseen costs.
62. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, Section 151 Officer (S151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
63. CIPFA issued Local Authority Accounting Panel (LAAP) Bulletin No.99 Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
64. The Council's reserves policy is attached at Appendix 2. This policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance. Members are asked to approve the Reserves Policy for 2022-23 detailed in Appendix 2. **(Recommendation 20)**
65. Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks

Reserves

66. There are two categories of reserves: unusable and usable. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These

reserves cannot be used for any other purpose and are therefore not considered as part of this report. Usable reserves are split between those that are earmarked for known or predicted purposes, such as Section 106 developer contributions, and those of a general nature which are available; to fund unforeseen costs, smooth cash flow and prevent unnecessary temporary borrowing. A schedule of all usable reserves is detailed at Appendix 3.

67. A review of all usable reserves has recently been undertaken to ensure they are still required and are at an appropriate level. Appendix 3 details the outcome of the review which Members are requested to note. **(Recommendation 21)**
68. Given the uncertainty around much of the future funding for local government there is a real risk that the Council may be unable to meet significant unforeseen cost pressures. There is also a high level of risk associated with Business Rates income which was covered earlier in this report. It is therefore essential that the Council continues to maintain an adequate level of general reserves to fund such unforeseen events. There are two main general reserves that can be utilised for these purposes: the General Fund Reserve and the Strategic Management Reserve. Regular reviews of the reserves will continue to be undertaken to ensure reserve levels are appropriate to risks in line with legislation and best practice. The Council aims to hold a general reserve of between 5.00% and 7.50% of the gross revenue budget, which equates to £41.750 million to £62.626 million for 2022-23.
69. It is proposed to utilise a net contribution of £27.076 million from the Strategic Management Reserve over the duration of the MTFP 2022-26, comprising of a net contribution to the Strategic Management Reserve of £1.587 million in 2022-23, and contributions from the Strategic Management Reserve of £10.216 million in 2023-24, £15.494 million in 2024-25 and £2.953 million in 2025-26. Proposed contributions to and from the reserve are as follows:
 - the non-recurrent pressures detailed in Appendix 8, excluding the Transformation Programme which is proposed to be funded from the Council Transformation Fund Reserve below: £3.338 million 2022-23, £2.834 million 2023-24, £0.409 million 2024-25 and £0.909 million 2025-26,
 - the Active Northumberland Management Fee of up to £1.000 million in 2022-23 and 2023-24,
 - delayed investment interest due from the airport as a result of Covid-19, of £1.025 million in 2022-23 and £0.513 million in 2023-24. Thereafter, it is anticipated the airport will start to repay the delayed interest over the remaining duration of the loan, and £0.398 million will be received and repaid to the Strategic Management Reserve in both 2024-25 and 2025-26,
 - revenue contribution to capital of £12.231 million in 2024-25 and £2.442 million in 2025-26 for the Schools' Redevelopment Programme, and

- in 2022-23 it is proposed to transfer £6.950 million to the Strategic Management Reserve following the front loading of additional Government grant funding announced for Local Government within the provisional Local Government Finance Settlement on 16 December 2021, and subsequently utilise £5.869 million in 2023-24 and £3.252 million in 2024-25 to help smooth the savings requirements.
70. These amounts are shown in the MTFP contained within Appendix 1, and Members are requested to approve the contributions to the Strategic Management Reserve for the items above in the 2022-23 Budget and note the position for 2023-24, 2024-25 and 2025-26. **(Recommendation 22)**
 71. It is proposed to utilise £2.500 million of the Severe Weather Reserve in 2022-23 to enable a revenue contribution to fund the Todstead Landslip project. This amount is shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Severe Weather Reserve in 2022-23. **(Recommendation 22)**
 72. It is proposed to utilise £0.132 million of the Contain Outbreak Management Reserve in 2022-23 as a revenue contribution to fund the capital Multi Use Vehicles project. This amount is shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Contain Outbreak Management Reserve in 2022-23. **(Recommendation 22)**
 73. It is proposed to utilise £25.000 million of the General Fund Reserve in 2022-23 and £7.850 million in 2024-25 to fund a voluntary MRP contribution. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the General Fund Reserve in 2022-23 and note the use in 2024-25. **(Recommendation 23)**
 74. With regard to the Regeneration Additional Capacity Reserve, it is proposed to utilise £0.190 million in 2022-23 to contribute to Regeneration staffing costs in order to ensure the delivery of key projects and to enable the retention of key staff shown within Appendix 3. This amount is shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Regeneration Additional Capacity Reserve in 2022-23. **(Recommendation 24)**
 75. With regard to the Transformation Reserve, it is proposed to utilise £3.000 million per annum between 2022-23 and 2024-25 to offset the non-recurrent transformation costs shown within Appendix 8. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Transformation Reserve in 2022-23 and note the use in 2023-24 and 2024-25. **(Recommendation 25)**
 76. It is also proposed to utilise £10.129 million of the Collection Fund Smoothing Reserve in 2022-23 to fund the forecast 2021-22 deficit on the Business Rates element of the Collection Fund and prior year deficits spread from 2020-21 on Business Rates and Council Tax and note the proposed use of this reserve to fund £0.896 million deficit in 2023-24; being the final year of the 2020-21 Council Tax

and Business Rates deficits spread over 3 years. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Collection Fund Smoothing Reserve in 2022-23 and note the use in 2023-24. **(Recommendation 26)**

77. The Schedule of Reserves contained within Appendix 3 demonstrates that the financial standing of the Council is sustainable and therefore the Council is able to withstand a significant revenue shock.
78. Part Two of the Local Government Act 2003 comprises a set of duties and powers that gives statutory support to important aspects of good financial practice in Local Government.
79. Section 25 requires the Chief Financial Officer (also referred to as the Section 151 Officer) to report to an Authority when it is making the statutory calculations required to determine its Council Tax or Precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included within the budget and the adequacy of the reserves for which the budget provides.
80. The Interim Executive Director of Finance (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and confirms that the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge.

CIPFA Financial Resilience Index

81. In December 2019 CIPFA published a Financial Resilience Index for all English local authorities. This information was presented to Members as part of the budget report in February 2020.
82. Due to Covid-19 CIPFA has not yet been able to publish an index for 2020 or 2021. A report will be brought before Members once this information is made available.

Provisions

83. The Council maintains a number of provisions which are also detailed in Appendix 3. Provisions are set aside for specific purposes and there are prescribed criteria which are set out in International Accounting Standard 37 (IAS 37), which must be satisfied before a provision can be created. Provisions are scrutinised annually by the Council's external auditors as part of the final accounts process to ensure that they comply with the requirements of IAS 37. It is essential that the Council provides for these items when the criteria set out in IAS 37 is met to prevent unbudgeted charges to the General Fund. There is a requirement to review all provisions annually to ensure they are still relevant and satisfy the requirements of IAS 37. A review of all provisions has recently been undertaken to ensure they

are still required. Appendix 3 details the outcome of the review and Members are requested to note the provisions. **(Recommendation 21)**

Service Specific Grants

84. In addition to the core funding grants detailed in this report there are a number of service specific grants which are detailed at Appendix 4. These grants are included within the baseline budget figure and total £238.825 million and Members are requested to note the grants. **(Recommendation 27)**
85. The Public Health Grant is ringfenced for the provision of services to improve the health of the local population through a sustainable health and care system by improving access, experience, and outcomes; and reducing health inequalities from deprivation, ethnicity, and vulnerable groups. The 2022-23 allocation has not yet been announced therefore it has been assumed within the MTFP that this grant will continue at its current level of £16.891 million over the duration of the MTFP. The position will be monitored and the MTFP will be updated if required. **(Recommendation 27)**

EXPENDITURE

Inflation

86. The Council, like many others, comes under increasing pressure to provide or enable essential statutory services. There are pressures within Children's and Adult's Social Care services as a result of the National Living Wage and National Minimum Wage where demand for the provision of care and support for looked after children and the elderly continues to grow. These inflationary increases add significantly to the budgetary pressures faced by the Council and are included within Appendix 5.
87. All inflationary pressures are detailed within Appendix 5 which includes the costs associated with incremental drift, pay inflation and non-pay inflation.
88. Pay inflation for 2022-23 is based on 2.25%, recognising the public sector pay restraint announced by the Government in CSR 20. Where applicable the Local Government pay award will be effective from 1 April 2022. For the purposes of the MTFP it is assumed that the pay awards will be 2.25% for each financial year.
89. Excluding hyper-inflation (recommended to be funded by the Strategic Management Reserve), total inflation equates to £19.767 million for 2022-23, £13.438 million for 2023-24; £12.239 million for 2024-25, and £12.781 million for 2025-26. It is recommended that the inflationary pressures identified in Appendix 5 for 2022-23 are approved. **(Recommendation 28)**

Demand for Services

90. The pressures facing the Council and the requirement to fund growth in services are shown in Appendices 6 and 7, with further detail in the following paragraphs. Recurrently, £8.746 million has been added to the base budget for 2022-23, £2.609 million in 2023-24; £3.261 million in 2024-25 and £0.906 in 2025-26. Also, the year-on-year increase in the revenue costs attributable to the Capital Programme, (Appendix 14), is included within the MTFP at Appendix 1. These equate to £6.081 million in 2022-23, £5.907 million in 2023-24, £16.878 million in 2024-25, and £5.783 million in 2025-26, comprising of:
 - revenue contribution to capital of £2.682 million in 2022-23, for the Choppington Primary Artificial Pitch scheme (£0.050 million), Multi Use Vehicles (£0.132 million), and the Todstead Landslip project (£2.500 million); and £12.231 million in 2024-25 and £2.442 million in 2025-26 for Schools Redevelopment;
 - income from Choppington Primary of £0.050 million in 2022-23 for the capital scheme; and,
 - revenue cost of borrowing associated with the Capital Programme of £3.449 million in 2022-23, £5.907 million in 2023-24, £4.647 million in 2024-25, and £3.341 million in 2025-26.

91. It is proposed that Members approve the 2022-23 pressures and revenue costs associated with the Capital Programme and note the 2023-24, 2024-25 and 2025-26 figures. **(Recommendation 29)**
92. In addition to the grants mentioned earlier, the Government's offer to add up to 1.00% Adult Social Care Precept, plus the remaining 1.25% unutilised Adult Social Care Precept from 2021-22, to Council Tax levels for 2022-23 has provided some additional funding to meet the increasing costs. However, there remains a significant recurrent on-going pressure which needs to be funded by the Council. The MTFP assumes an increase of 1.00% for the remaining years of the MTFP.
93. The Council has set aside recurrent funding within the Budget 2022-23 and the MTFP to address the demographic pressures in relation to both Adult's and Children's social care as well as the ongoing revenue consequences of the Council's ambitious capital investment programme and a number of other identified pressures and growth areas.
94. It is proposed that the Council continues to fund Active Northumberland up to an additional £1.000 million, for the first two years of the MTFP 2022-24, from the Council's Strategic Management Reserve. **(Recommendation 22)**
95. Through its shares in Newcastle Airport Local Authority Holding Company Limited the Council has a 7.86% share in Newcastle International Airport Limited (NAL). Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012-13, issuing £67.665 million shareholder loan notes. The loan notes will be repayable in 2032 with interest normally being received up to that date on a six-monthly basis.
96. Due to major curtailments in the airport operation as a result of the Covid-19 pandemic the terms of these loans have been modified. Given the unprecedented circumstances the airport has deferred interest repayments for two financial years with catch up payments to be made in instalments at a later period. This will result in a loss of investment income in 2022-23 (as well as 2021-22) to the General Fund of £1.025 million and £0.513 million in 2023-24. Thereafter, it is forecast that repayment of the delayed interest will commence, replenishing the Strategic Management Reserve by £0.398 million in both 2024-25 and 2025-26. It is proposed to fund the 2022-23 delayed interest from the Council's Strategic Management Reserve and then subsequently replenish the reserve following receipt of the delayed interest. **(Recommendation 22)**
97. There are also non-recurrent issues which the Council needs to address from time to time. The MTFP identifies that £6.338 million will be required in 2022-23; £5.834 million in 2023-24; £3.409 million in 2024-25 and £0.909 million in 2025-26. Details are contained within Appendix 8. It is proposed that this one-off expenditure is approved and that when it is incurred it is funded from the Strategic Management and Council Transformation Fund Reserves. **(Recommendations 22, 25 & 30)**

98. The Council also expects to achieve non-recurrent income of £2.770 million in 2022-23 and £0.466 million in 2023-24, which is detailed in Appendix 8. It is proposed that Members note the non-recurrent income for 2022-23 and the expected receipt in 2023-24 (**Recommendation 31**)

Budget Balancing

99. The Council's Budget 2022-23 and MTFP 2022-26, which is contained within Appendix 1, has been updated to reflect the latest forecast position for both income and expenditure. The plan also highlights the value of budget measures required in order to set a balanced budget, equating to £9.704 million in 2022-23 and £40.732 million for the period 2023 to 2026. It is recommended that the identified efficiencies of £9.704 million for 2022-23, which are detailed in Appendix 9 are approved. **(Recommendation 32)**
100. The Schedule of Efficiencies contained in Appendix 9 has been agreed by the individual Cabinet Members. Any efficiency proposals that are considered to represent a risk will be subject to a separate comprehensive risk appraisal process. The risk appraisal process is the responsibility of the relevant Executive Director and will continue up to the County Council and beyond as individual budget reduction measures are implemented.
101. In addition, the potential impact of the proposed budget balancing measures on the Council's public sector equality duties has been considered by officers in each Directorate, and where screening identifies a need, detailed equality impact assessments have been carried out on the proposals. In some cases, these are provisional and will be reviewed before final decisions are made to implement these proposals. If this process makes it clear that there are unacceptable equality impacts which cannot be mitigated by adjustments within the proposal itself, the relevant Executive Director will be expected to find alternative compensating savings which they will agree with their relevant Cabinet Member. The Executive Director of Adults and Children's Services has provided an initial assessment of the overall equality impact of the budget proposals, shown at Appendix 10. This will be updated further as the budget process continues. Equality impacts will be considered further and subject to a comprehensive risk appraisal process as appropriate. Members are requested to note the Corporate Equality Impact Assessment shown at Appendix 10. **(Recommendation 33)**
102. A number of the proposals will require active management and each Executive Director will be responsible for their successful delivery.
103. If a proposal cannot be implemented either partially or in full the Executive Team will be expected to recommend alternative compensating savings for consideration.

Budget by Service Area

104. The 2022-23 budget is shown by service area at Appendix 11. This highlights expenditure, income, inflation, grant funding changes, pressures, savings and the proposed final budget 2022-23 by service area. Members are requested to note Appendix 11. **(Recommendation 34)**

Grant Funded Revenue Schemes

105. There may be instances throughout 2022-23 when additional unforeseen external revenue grant funding is received for a specific purpose. In these circumstances where the revenue scheme is fully funded from external grant, it is proposed to delegate authority to include the scheme and its funding within the 2022-23 revenue budget to Cabinet. **(Recommendation 46)**

Summary

106. The financial position of the Council over the period 2022-26 is detailed within Appendix 1.
107. It is recommended that Members approve Appendices 1, 2, 5, 6, 7, 8 and 9.

SCHOOL FUNDING

108. The Dedicated Schools Grant is a ring-fenced grant from the Department for Education to be spent on the education of pupils both in and out of school. The available grant funding for 2021-22 (after academy recoupment), which Members are requested to note is forecast to increase by £0.548 million from the 2021-22 original allocation to £146.729 million. This is as a result of additional High Needs block funding for increased Northumberland Special Educational Needs (SEN) pupils remaining in schools and academies within the county instead of attending those schools in other authorities.
109. The provisional value of the Dedicated Schools Grant for all schools in Northumberland (including Academies) for 2022-23 is £274.691 million. This is an increase of £10.341 million when compared to the 2021-22 original allocation across the Schools Block and High Needs Block. This is due to an increase in the funding rates per pupil, increased numbers of SEN children and the inclusion of additional High Needs funding for the Health and Social Care levy and wider cost pressures across the sector of £1.646 million. Mainstream schools will also receive funding for the Health and Social Care levy, but this will be met through a new grant for schools. The Council will receive £152.123 million which Members are requested to note. **(Recommendation 35)**
110. The Dedicated Schools Grant is divided into four notional blocks:
- Schools Block
 - Central School Services Block
 - High Needs Block
 - Early Years Block
111. Virement between the 4 notional blocks of up to 0.50% is possible by the local authority with school forum approval.
112. The Schools Block is in two parts:
- The Individual Schools Budgets (ISB) - Each school's ISB is calculated using the funding formula already approved by the Cabinet.
 - Central schools block – This block is used to meet the cost of statutory services provided to all schools including academies.
113. The High Needs Block will include funding for the additional needs of pre and post 16 students in Maintained Schools, FE Colleges and other establishments.
114. The Early Years Block includes funding for 2-year-old provision for the 40.00% most disadvantaged pupils as well as the statutory offer for 3- and 4-year-olds.
115. The implementation of the National Funding Formula has been further delayed. As in 2021-22, for 2022-23 there will be a phased transition from the current local formula as approved by Cabinet and there is a commitment from the Schools' Forum to match the formula values by 2023-24.

116. The Dedicated Schools Grant is currently predicted to underspend by £1.764 million in the financial year 2021-22 predominantly due to Contain Outbreak Management Funding that has been utilised in the current year to support Northumberland pupils on their return to school and the impact of Covid-19 on their education and wellbeing.

HOUSING REVENUE ACCOUNT

117. The Council is required by the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing/tenant related services from this account.
118. The Council is also obliged to produce a HRA MTFP which is reviewed and updated on an annual basis. The current business plan clearly indicates that the Council can maintain its properties to the Decent Homes Standard for the full 30 years of the plan (which runs to 2052).
119. The Council keeps two HRA specific reserves that are required under statute:
- Housing Revenue Account Balance - This is a reserve and holds the HRA accumulated surpluses. It can be used to contribute to balance the revenue budget in year or to contribute to fund schemes within the capital programme.
 - The HRA Major Repairs Reserve (MRR) - This reserve was created to fund capital works to maintain the Council's housing stock or to repay debt.
120. The balance on the HRA account was £28.890 million at 31 March 2021 and is planned to increase to £29.596 million by 31 March 2022.
121. The HRA cannot be subsidised by the Council's General Fund and therefore needs to maintain an adequate level of reserves. Risks to the HRA include Central Government's influence in rent setting; increased borrowing costs due to interest rate increases; more homes purchased under right to buy regulations; the need for unplanned capital expenditure; the potential impact arising from the roll out of Universal Credit; and higher levels of pay awards and inflation than included in the plan. The HRA MTFP maintains a significant level of reserves which is considered to be adequate.
122. At this time, it is not proposed that current loans are repaid; and any loans maturing will be refinanced.

Right to Buy

123. The HRA MTFP assumes that the current Right to Buy policy will continue, and this is reflected throughout the plan as a reduction to tenant's rental income. Capital receipts from Right to Buy sales is estimated to contribute £6.701 million towards the Capital Programme between 2022-23 to 2025-26.

Rent Increases

124. On 26 February 2019, the Government issued a new Direction that requires the regulator of social housing to set a new rent standard for registered providers with effect from 1 April 2020. It is accompanied by a policy statement which sets out the Government's policy on rents for social housing from 1 April 2020. The standard states that the maximum allowable rent increase for the year will be the

Consumer Price Index (CPI) as at September plus 1.00% for the following 5 years. (new 2020 Limit Rent).

125. For the period 1 April 2022 to 31 March 2023, it has been assumed that the Council will apply a rent increase equivalent to CPI of 3.10% plus 1.00%.

Existing Housing and Affordable Housing Investment Programme

126. The HRA MTFP and 30-year Business Plan have been updated to fund £48.221 million of capital expenditure towards the Affordable Housing Investment Programme for the period 2022-23 to 2025-26.

127. In order to fund this programme, the MTFP includes:

- New borrowing of £15.000 million.
- External grant support of £8.610 million from Homes England. The Council was successful in securing funding through the previous Affordable Homes Programme (2016-21) for projects that are on target to complete by 31 March 2022. The next tranche of Affordable Homes Funding (2021 to 2026) has been launched by Homes England and the Council is currently working up schemes that could be bid for under the Continuous Market Engagement (CME) route on a scheme-by-scheme basis. Applications will be assessed against:
 - a. Cost Minimisation (grant per home); and,
 - b. Deliverability (within funding timeframe); and,
 - c. how they align with strategic objectives - use of Modern Methods of Construction (MMC), use of the National Design Guide, working with local small to medium sized (SME) house builders, provision of rural housing and supported housing.

In recognition of the costly nature of addressing such objectives indications are that the Council will be able to secure higher grant rates than previously achieved if schemes are aligned to them. Six of the Homes England Strategic Partners (Karbon, Riverside, Thirteen, Places for People, Vistry and Sage) already operate in Northumberland and due to their strategic status have secured significant longer-term funding that they have indicated could be used to support schemes within the county if they identify the right sites.

- Utilisation of the Capital Investment Reserve totalling £17.910 million; and,
- Use of capital receipts of £6.701 million generated from the Right to Buy sales.

128. The provision of affordable homes is a key priority for the Council. The Council is committed to increasing the provision of affordable homes through an ambitious capital programme using a combination of direct delivery, acquisitions and partnership work with other developers and registered providers of social housing. The priority is to deliver the right tenure of housing on the right scale for the local

area by the right landlord. The Housing Delivery team will work with other registered providers where the Council is not best placed to deliver what is required.

129. The extent to which the HRA will contribute to the delivery of new homes will be informed by both the need to bring forward new council housing in areas of greatest priority and the investment needs of the existing stock. A revised Housing Asset Management Strategy is being developed that will reflect emerging investment pressures and priorities for social landlords as well as the key strategic aims of the Council.

130. As part of the commitment to bring forward new affordable homes, the following schemes are actively being progressed:

- Building new affordable homes on 7 identified Council sites is currently progressing, including development of infill sites on existing estates.
- Conversion of 10 Council-owned garage sites into 30 new high quality, modern and accessible bungalows.
- A targeted acquisition programme, to purchase affordable Section 106 units from developers including Advance Northumberland.
- A targeted purchase and repair programme bringing 10 empty properties and former right to buy properties back into use as affordable rented homes in areas where the Council already has stock.
- Conversion of warden's accommodation to form 3 new affordable units.
- Demolition of an obsolete block of flats and re-provision at a higher volume.
- Delivery of 12 new build Dementia Care bungalows on a Council site to reflect the objectives set out within the Extra Care and Supported Housing Strategy.
- Delivery of 9 new build bungalows on an Advance Northumberland owned site.
- Acquisition of 3 identified sites for new build development are currently progressing with the Police Authority and 2 private landowners.
- Part of the HRA Asset Strategy will be to identify further opportunities for regeneration, development, and conversion within existing estates. e.g. low demand flats or maisonettes.

131. In addition to the Affordable Homes Programme, referenced above, officers are actively involved in bidding for grant to bring forward housing development in its widest sense through partnership with the North of Tyne Combined Authority and Homes England. This includes funding from the Brownfield Housing Fund, designed to address viability gaps on challenging sites and a wider pipeline of strategic regeneration priority sites for the Council. Where sites fall within HRA

operating areas and there is an opportunity to bring forward developments that will enhance the portfolio of council housing these will be explored.

Major Repairs Reserve

132. The Council is required to maintain a Major Repairs Reserve (MRR) with the main credit to the reserve being an amount equal to the total depreciation charge for all HRA assets.
133. The HRA MTFP includes provision for depreciation charges to increase in line with new capital expenditure and then by 0.50% each year with an assumption that the value of housing stock will increase. Any deviation from this assumption will affect the amount that is transferred into the MRR to fund future capital works.
134. The HRA MTFP assumes that the current adjustment factor for valuation of the housing stock for Northumberland of 44.00% of Market Value (Existing Use Value-Social Housing) will continue to apply throughout the plan for the purpose of valuation and depreciation.
135. The expenditure within the HRA MTFP for MRR, includes a planned programme of replacement roofs, kitchens, bathrooms, rewires and heating systems, along with other improvement schemes. The current 8-year plan which started in 2018-19 assumes that £75.000 million will be spent on maintaining the housing stock to a decent homes standard. It is £39.612 million for the period 2022-23 to 2025-26.

Emerging Issues

136. Alongside the development of new homes, there are a number of emerging challenges and pressures on the existing stock that will need to be managed through increased investment and funded from the Major Repairs Reserve:
 - Energy Efficiency – Linked to the Climate Change Commitment, work is ongoing to attract external funding to tackle hard to heat homes and invariably this will require an element of capital funding to subsidise the cost of works.
 - Building Safety – Through the Housing White Paper there will be increased obligations placed on social landlords in terms of areas of compliance and building safety (Fire Safety, electrical testing etc).
 - Housing Disrepair – the Fitness for Human Habitation Act that came into force for existing social tenants in April 2019, is giving rise to potential disrepair claims across the sector. The situation is being monitored.
 - Beyond Decent Homes – Alongside cyclical replacement of key decent homes elements (kitchens, bathrooms, heating systems etc) there are emerging investment needs linked to structure and age of the properties within the portfolio. Northumberland holds a number of non-traditional homes that will require significant investment or intervention. Additionally, environmental improvements that are contributing to low demand in some

areas may need to be prioritised and feature in the capital programme to ensure continued viability.

- The Independent Supported Living Agenda – working alongside adult services, to ensure that the offer in terms of specialist and supported accommodation is aligned to local need and properties are fit for the future.

Annual Review

137. The HRA MTFP is subject to formal annual review and is part of existing budget monitoring arrangements, which allows any policy changes or impact upon the plan to be identified and any significant changes to be reported.

Summary

138. The proposed 2022-23 Housing Revenue Account budget and HRA MTFP 2023-26 is attached at Appendix 12. An indicative 30-year business plan, showing the projected position at five yearly intervals, is also included for information.

139. Members are requested to:

- Agree the Housing Revenue Account 2022-23 budget as detailed within Appendix 12, which will reduce the balance on the HRA reserve from £29.596 million at 31 March 2022, to £22.011 million at 31 March 2023; and note the indicative budgets to 2025-26 which will reduce the balance of the HRA reserve to £16.637 million. **(Recommendation 36)**
- Note that from 1 April 2022 in line with the Rent Standard for rent setting for Council tenants, the budget detailed in Appendix 12 assumes that rents and service charges will rise by the Consumer Price Index of 3.10% plus 1.00% for the period 1 April 2022 to 31 March 2023. **(Recommendation 37)**
- Approve the increase of 4.10% for Housing rents from 1 April 2022. **(Recommendation 38)**
- Note the indicative 30-year Housing Revenue Account business plan as detailed within Appendix 12. **(Recommendation 39)**
- Note that £48.221 million has been set aside over the period 2022-23 to 2025-26 in the HRA Capital Programme to invest in Affordable Housing. Details are set out in Appendix 12. **(Recommendation 40)**

CAPITAL EXPENDITURE

Capital Strategy 2022-23 to 2025-26

140. The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management revised Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made. The Capital Strategy should form a part of the authority's integrated revenue, capital and balance sheet planning.
141. Appendix 13 sets out a proposed Capital Strategy for the Council.
142. Members are recommended to approve the attached Capital Strategy at Appendix 13. **(Recommendation 41)**

Capital Programme 2022-26

143. There is a revised Capital Programme covering the period 2022-26 within Appendix 14. The inclusion of a scheme in the programme signifies approval in principle; but each individual scheme will be subject to business case approval in line with the Council's Constitution.
144. The programme is largely based on that agreed in February 2021 but adjusted to reflect:
- a) re-profiling estimates from 2021-22 of £99.328 million.
 - b) further proposed re-profiling from 2022-23 of £20.281 million to 2023-24, £9.400 million to 2024-25 and £1.000 million to 2025-26, and
 - c) net changes over the period 2022-26 of £118.380 million which are detailed in Appendix 15; comprising of new projects agreed during the year by Cabinet; other newly identified commitments and a number of scheme either reducing or being removed from the programme as part of the budget setting process. The change of £118.380 million equates to a net increase in Council resource requirements over the period 2022 to 2026 of £71.649 million (£62.986 million for existing projects and £8.663 million for new projects), and a net increase in external grant contributions of £46.731 million. These figures are exclusive of the re-profiling mentioned above of £99.328 million. Members are requested to note the changes contained within Appendix 15. **(Recommendation 42)**
145. The Capital Programme includes £25.593 million for the Blyth Relief Road project that will complete after 2025-26. Members are requested to approve this commitment. **(Recommendation 42)**
146. Members are recommended to approve the revised Capital Programme as detailed within Appendix 14. **(Recommendation 42)**
147. Within the revised Capital Programme there is an indicative grant allocation from the Department for Transport for the Local Transport Programme (LTP). County

Council Members and Town and Parish councils will be consulted in the development of the proposed LTP Programme as part of the prioritisation process. Members are recommended to approve the delegation of the detail of the final Local Transport Programme, and any subsequent in-year amendments to the Executive Director responsible for Local Services and the Leader of the Council.
(Recommendation 43)

148. Within the Capital Programme there is also an allocation of £2.225 million in 2022-23 for highway maintenance investment in U and C roads and footways. Members are recommended to approve the delegation of the detail of the capital allocation for highways maintenance investment in U and C roads and footways to the Executive Director responsible for Local Services and the Leader of the Council.
(Recommendation 44)

HRA Capital Programme

149. The business case demonstrates potential capital expenditure over the MTFP of up to £87.833 million which is included in Appendix 14.

Flexible Use of Capital Receipts

150. Councils are generally only allowed to spend capital receipts - the money received when an asset is sold - on further capital projects or set aside the money for the repayment of debt. However, as part of the Local Government Settlement for 2016-17, Government announced greater flexibility for councils in how they make use of capital receipts by allowing them to use the receipts (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.
151. In December 2017, and again in February 2021, the Secretary of State announced further continuation of the capital receipts flexibility programme. The latest announcement provides a 3-year extension for receipts received from 2022-23 onwards.
152. The flexibilities enable councils to use income from the sale of certain assets to fund the short-term revenue costs that support qualifying invest-to-save and efficiency projects in order to provide revenue savings in the future.
153. Qualifying expenditure under the guidance is defined as: "Expenditure on any project that is designed to generate on-going revenue savings in the delivery of services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demands for services in future years for any of the public sector delivery partners."
154. It is proposed that the Council utilises this flexibility for up to £0.500 million of capital receipts in 2022-23 on qualifying projects. It is proposed that approval of individual projects within these allocations is delegated to the Cabinet.
(Recommendation 45)

155. The proposal is not anticipated to have any revenue impact, as many of the qualifying projects will themselves provide on-going revenue benefits/efficiencies, which would in turn offset the additional cost of borrowing.

Grant Funded Capital Projects

156. There may be instances throughout 2022-23 when additional unforeseen external capital grant funding is received for a specific purpose. In instances where capital projects are fully funded from external grant sources it is proposed to delegate authority to include these projects and their funding within the capital programme to Cabinet. **(Recommendation 46)**

Prudential Borrowing Indicators

157. As a result of the revisions to the Capital Programme the Prudential Borrowing Indicators have been updated for the next four years. Prudential Indicators for approval are detailed within Appendix 16. **(Recommendation 47)**

Annual Minimum Revenue Provision Policy Statement

158. The proposed policy is enclosed at Appendix 17. The policy is unchanged from 2021-22.

159. On 30 November, the Department for Levelling-Up Housing and Communities (DLUHC) launched a consultation on proposed changes to the guidance for calculating the Minimum Revenue Provision for local authorities. The outcome of this consultation is expected to be implemented from 1 April 2023. The Minimum Revenue Provision Policy will be updated if required to reflect the outcome of the consultation.

160. Members are requested to approve the Annual Minimum Revenue Provision Policy. **(Recommendation 48)**

TREASURY MANAGEMENT

161. The proposed Treasury Management Strategy for 2022-23 is attached at Appendix 18. The report was also be considered by the Audit Committee on 26 January 2022. Any subsequent amendments following Audit Committee will be updated for the final report to the County Council in February.
162. Cabinet is requested to endorse the proposed Treasury Management Strategy Statement included at Appendix 18 and recommend its approval to the County Council. **(Recommendation 49)**

FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

163. The provisional Local Government Finance Settlement 2022-23 was announced on 16 December 2021 and the figures contained within this report are based on this announcement. However, there is currently a consultation period which could alter these figures. The outcome of the consultation will be announced in February 2022 as part of the final Local Government Finance Settlement. It is not expected that the figures will change significantly. However, in the event that they do change it is proposed that delegated authority is approved for the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services to amend the 2022-23 budget if necessary. **(Recommendation 50)**

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	This is the first year of the MTFP 2022-26. The plan supports the priorities outlined in the Corporate Plan.
Finance and value for money:	The financial implications of the 2022-23 budget and the MTFP are detailed within this report. Financial year 2023-24 and beyond will continue to be challenging.
Legal:	The Council has a statutory responsibility to set a balanced budget for 2022-23. It also has a fiduciary duty not to waste public resources.
Human Resources:	The size of the financial challenge will have an impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property:	A significant proportion of the Capital Programme refers to property and assets. The estates rationalisation plan has now been implemented and is on-going.
Equalities: (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	The Executive Director of Adults and Children's Services has provided an overarching equality review, which identifies the main issues that need to be considered in setting the budget. Cabinet will be asked to consider changing the budget proposals should it at a later stage prove not to be possible to mitigate an unacceptable equality impact.
Risk Assessment:	The risks associated with the budget proposals are regarded as acceptable, but these risks will continue to be reviewed up to and including implementation of the detailed proposals.
Carbon Reduction:	The Council continues to develop proposals concerning the management of energy which are supported by the budget.
Crime & Disorder:	There are no specific crime and disorder implications within this report.
Customer Considerations:	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.

Consultation: During December 2021 and January 2022 consultation on the 2022-23 budget and MTFP has taken place at the five Local Area Councils in Northumberland. The report has also been subject to a review by an all-member Corporate Services and Economic Growth Overview & Scrutiny Committee. This meeting will consider the views of Scrutiny before making final recommendations to the County Council.

Health & Wellbeing The Council's budget is founded on the principle of promoting inclusivity.

Wards: All wards.

BACKGROUND PAPERS:

Date	Report to	Report
24 February 2021	Full Council	Budget 2021-22 and Medium-Term Financial Plan 2021-24
3 November 2021	Full Council	Approval of the Council Tax Support Scheme for 2022-23
18 November 2021	Cabinet	Budget 2022-23 and Medium-Term Financial Plan 2022-2025
7 December 2021	Cabinet	Approval of the Council Tax Base 2022-23
11 January 2022	Cabinet	Estimated Year End Collection Fund Balances – Council Tax and Business Rates
26 January 2022	Audit Committee	Treasury Management Strategy Statement for the financial year 2022-23

Report sign off

Authors must ensure that officers and members have agreed the content of the report:

	Name
Interim Monitoring Officer	Suki Binjal
Interim Executive Director of Finance & Section 151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Daljit Lally
Portfolio Holder	Richard Wearmouth

Author and Contact Details

Alison Elsdon

Service Director: Finance

Telephone: 07796 652072

Alison.Elsdon@northumberland.gov.uk

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	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Funding				
Government Grants				
- Revenue Support Grant (RSG)	(10,838)	(10,838)	(10,838)	(10,838)
- Business Rates - Income and Grants	(86,801)	(89,861)	(92,959)	(95,484)
- Rural Services Delivery Grant	(2,456)	(2,456)	(2,456)	(2,456)
- New Homes Bonus	(3,983)	-	-	-
- Improved Better Care Funding	(12,495)	(12,495)	(12,495)	(12,495)
- Social Care Grant	(13,287)	(13,287)	(13,287)	(13,287)
- Market Sustainability & Fair Cost of Care Grant	(1,027)	-	-	-
- Lower Tier Services Grant	(451)	-	-	-
- Services Grant	(4,751)	-	-	-
Sub Total	(136,089)	(128,937)	(132,035)	(134,560)
Council Tax	(181,487)	(186,338)	(191,090)	(195,956)
Council Tax - Adult Social Care Precept (ASCP)	(24,584)	(26,823)	(29,114)	(29,272)
Collection of Parish Precept	(9,391)	(9,391)	(9,391)	(9,391)
Collection Fund - Council Tax Estimated (Surplus) / Deficit	(4,215)	554	-	-
Collection Fund - Business Rates Estimated Deficit	12,547	342	-	-
Contributions (from)/to Reserves:				
- Strategic Management	1,587	(10,216)	(15,494)	(2,953)
- Severe Weather	(2,500)	-	-	-
- Contain Outbreak Management	(132)	-	-	-
- General Fund	(25,000)	-	(7,850)	-
- Regeneration Additional Capacity	(190)	-	-	-
- Council Transformation Fund	(3,000)	(3,000)	(3,000)	-
- Collection Fund Smoothing	(10,129)	(896)	-	-
Total Funding	(382,583)	(364,705)	(387,974)	(372,132)
Expenditure				
Baseline Budget including recurrent adjustments	329,125	351,383	358,337	364,485
Pay Inflation	3,863	3,950	4,039	4,130
Non Pay Inflation	13,781	8,266	6,975	7,426
Increase in Employers National Insurance	959	22	25	25
Increments and Changes to Salaries	1,164	1,200	1,200	1,200
Recurrent Pressures	4,836	1,310	191	-
Growth	3,910	1,299	3,070	906
Revenue Cost of Capital	6,081	5,907	16,878	5,783
Voluntary MRP (non-recurrent)	25,000	-	7,850	-
Non Recurrent Pressures and Income	3,568	5,368	3,409	909
Savings identified	(9,704)	(5,546)	(2,720)	(2,200)
Further Savings Required to Balance the budget	-	(8,454)	(11,280)	(10,532)
	382,583	364,705	387,974	372,132
Tax base	108,605.49	109,332.99	109,932.99	110,532.99
Budget Requirement	343,219	350,593	361,630	369,179
Band D Council Tax	1,671.07	1,704.32	1,738.24	1,772.83
Band D Council Tax - Adult Social Care Precept	226.36	245.33	264.83	264.83
Increase in Council Tax (incl Special Expenses, excl ASC Precept)	1.99%	1.99%	1.99%	1.99%
Adult Social Care Precept		2.25%	1.00%	0.00%

Background and Context

- 1.1. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, Section 151 Officer (S151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
- 1.2. CIPFA issued Local Authority Accounting Panel (LAAP) Bulletin No.99, Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 1.3. This policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance.
- 1.4. Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.
- 1.5. Earmarked reserves are reviewed quarterly and reported to Cabinet as part of the budget monitoring, budget setting and close down processes, to determine whether the original purpose for the creation of the reserve still exists and whether the reserves should be released in full or in part. Particular attention is paid in review to those reserves where the balances have not moved over a long period of time.

2. Overview

- 2.1. The Council will maintain:
 - a General Fund general reserve;
 - a Housing Revenue Account (HRA) general reserve;
 - a number of earmarked reserves; and,
 - Capital Receipts and Capital Grants reserves.

- 2.2. Additionally, the Council is required to maintain unusable reserves to comply with accounting requirements although, as the term suggests, these reserves are not available to fund expenditure.
- 2.3. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term financial plan. The level will also be expressed as a percentage of the gross budget (to provide an indication of financial context). The Council's aim is to hold general reserves of between 5.00% and 7.50% of the gross revenue budget by the end of 2022-23.

3. Strategic Context

- 3.1. The Council continues to face a shortfall in funding compared to spending demands and must annually review its priorities in order to address the shortfall.
- 3.2. Reserves play an important part in the Council's Medium-Term Financial Plan and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience.
- 3.3. The Council holds reserves to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to resource policy developments and initiatives without a disruptive impact on Council Tax.
- 3.4. The Council relies on interest earned through holding reserves to support its general spending plans.
- 3.5. Reserves are one-off money. The Council does not use reserves to meet ongoing financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

4. Purposes

- 4.1. Reserves are therefore held for the following purposes, some of which may overlap:
 - Providing a working balance e.g., Housing Revenue Account and General Fund general reserves,
 - Smoothing the impact of uneven expenditure profiles between years e.g., Collection Fund Smoothing Reserve,

- Holding funds for future spending plans e.g., Capital reserves, Economic Regeneration Reserve,
 - Meeting future costs and liabilities where an accounting 'provision' cannot be justified,
 - Meeting future costs and liabilities to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
 - To provide resilience against future risks; and,
 - To create policy capacity in a context. e.g., Strategic Management Reserve.
- 4.2. All earmarked reserves are held for a specific purpose. This, together with a summary of the movement on each reserve, is reported quarterly.
- 4.3. The use of some reserves is limited by regulation e.g., the Collection Fund balance must be set against Council Tax levels. Reserves established through the Housing Revenue Account can only be applied within that account and the Schools' Reserves are also ring-fenced for their use.

5. Management and governance

- 5.1. All reserves are reviewed quarterly and reported to Cabinet as part of the Council's budget monitoring, budget preparation, and close down processes. The Council will consider the view and advice of the S151 Officer regarding the adequacy of the reserves in the annual budget-setting process. The budget report will contain an estimate of the reserves over the duration of the Medium-Term Financial Plan.
- 5.2. Creation of new reserves:
- 5.2.1. Cabinet will approve the creation of all new reserves on the recommendation of the Section 151 Officer.
- 5.3. Adding to or utilising existing reserves:
- 5.3.1. Earmarked Reserves and capital grants unapplied; requires completion of a movement in earmarked reserves form for each drawdown or addition to an existing reserve. These forms require approval from the relevant Executive Director or Service Director, and Section 151 or Deputy Section 151 Officer (in the absence of the S151 Officer), unless agreed otherwise by Cabinet.
- 5.3.2. General Fund general reserve and HRA general reserves; requires Cabinet approval up to £1.000 million and full Council approval over £1.000 million for each drawdown or addition to these reserves.
- 5.3.3. Capital Receipts (excluding HRA): in order to minimise the cost of borrowing all capital receipts available will be utilised in year to finance the Capital Programme.

- 5.3.4. Capital Receipts (HRA): the use of capital receipts will be managed in order to minimise the cost of borrowing whilst maximising the opportunities to secure grant funding.
- 5.4. The Council will review the Reserves Policy on an annual basis.

	Balance at 31 March 2021 £000	Forecast Balance at 31 March 2022 £000	Forecast Balance at 31 March 2023 £000	Forecast Balance at 31 March 2024 £000	Forecast Balance at 31 March 2025 £000	Forecast Balance at 31 March 2026 £000
General Fund	70,469	76,404	51,404	51,404	43,554	43,554
Total General Reserve	70,469	76,404	51,404	51,404	43,554	43,554
Housing Revenue Account (HRA)	28,890	29,596	22,011	17,433	18,061	16,637
Major Repairs - HRA	8,607	7,561	5,814	6,743	7,603	8,481
HRA Capital Investment	3,108	2,329	58	-	-	-
Total Earmarked HRA Reserves	40,605	39,486	27,883	24,176	25,664	25,118
ADC Parks & Open Spaces	20	9	-	-	-	-
ADC Section106	50	46	2	-	-	-
Balances held by Schools	5,498	5,542	8,126	8,447	7,177	7,177
Borderlands Energy Masterplan	1,067	534	-	-	-	-
Business Recovery	2,322	2,322	2,322	2,322	2,322	2,322
Cessation of the NHS Partnership Agreement	1,500	-	-	-	-	-
Collection Fund Smoothing	26,291	11,025	896	-	-	-
Community Led Housing	829	703	534	529	529	-
Contain Outbreak Management Fund	-	673	-	-	-	-
Council Commissioned Services	11,100	-	-	-	-	-
Council Transformation Fund	7,466	17,003	12,744	8,476	4,180	2,854
Dedicated Schools Grant	898	2,053	-	-	-	-
Economy & Regeneration Investment	420	359	140	37	18	-
Estates Rationalisation	8,677	7,090	3,947	1,071	1,021	1,021
EU Exit Funding	315	-	-	-	-	-
EU Exit Funding - Exports	20	-	-	-	-	-
Fire & Rescue Service HMICFRS Improvement	60	32	-	-	-	-
Firefighters' Immediate Detriment	250	150	150	-	-	-
Firefighters' Pension Fund Admin Grant	33	-	-	-	-	-
Haltwhistle Repairs	15	15	15	15	15	15
Insurance	9,661	9,161	9,161	9,161	9,161	9,161
Invest to Save	10,507	-	-	-	-	-
Legal Challenges	637	543	443	343	243	143
Local Authority Mortgage Scheme	424	-	-	-	-	-
NCC Economic Regeneration	83	138	-	-	-	-
Northumberland Enterprise Holdings Limited	300	-	-	-	-	-
Open Spaces Maintenance Agreements	65	58	52	45	39	32
Planning Delivery Grant	206	660	-	-	-	-
Problematic Empty Properties	50	44	44	44	44	44
Regeneration Additional Capacity	304	190	-	-	-	-
Regeneration Development	1,578	925	422	422	422	422
Repairs and Maintenance	250	250	-	-	-	-
Restructuring	1,000	-	-	-	-	-
Revenue Grants	19,231	9,686	8,337	7,199	6,572	6,393
Rural Growth Network	95	-	-	-	-	-
School Libraries	9	9	9	9	9	9
Sealodge Repairs	17	17	17	17	17	17
Section 106	7,699	8,899	9,049	7,699	6,149	5,499
Severe Weather	2,500	2,500	-	-	-	-
Social Fund	1,695	629	549	469	389	309
Sports Development	256	210	210	210	210	210
Strategic Management	49,002	48,843	50,430	40,214	24,720	21,767
Violence Reduction	30	-	-	-	-	-
Winter Services	2,000	2,000	2,000	2,000	2,000	2,000
Total Earmarked Reserves	174,430	132,318	109,599	88,729	65,237	59,395
Capital Grants Unapplied	43,831	28,830	23,830	23,830	23,830	23,830
Capital Receipts	4,025	3,101	1,155	105	55	-
Total Capital Reserves	47,856	31,931	24,985	23,935	23,885	23,830
Estates Rationalisation	577	350	-	-	-	-
NNDR Appeals	7,494	5,745	3,995	3,995	3,995	3,995
Redundancy Costs	171	-	-	-	-	-
Compensation Costs	150	-	-	-	-	-
Total Provisions	8,392	6,095	3,995	3,995	3,995	3,995
Total Reserves and Provisions	341,752	286,234	217,866	192,239	162,335	155,892

£

Adult Social Care & Commissioning

Local Reform and Community Voices	(218,020)
Public Health Grant	(16,891,120)
War Pensions Scheme Disregard Grant	(151,420)
Social Care in Prisons Grant	(151,860)
Total Adult Social Care & Commissioning	(17,412,420)

Children's Services

Dedicated Schools Grant (DSG)	(152,122,850)
Education and Skills Funding Agency (SFA)	(559,940)
Pupil Premium	(895,310)
Supporting Families Grant	(761,940)
Youth Justice Board	(599,200)
Restart Scheme	(702,860)
Job Entry Targeted Support (JETS) Programme	(208,570)
Post-16 Programme Funding	(177,060)
Unaccompanied Asylum Seeking Children	(91,820)
Staying Put Payment	(135,580)
Arts Council England - Music Hub Grant	(405,800)
School Improvement Monitoring & Brokering	(184,820)
Virtual Schools Grant	(119,190)
Total Children's Services	(156,964,940)

Finance

Discretionary Housing Grant	(404,200)
The Private Finance Initiative (PFI)	(1,618,750)
Fire Revenue Grant (Firelink/New Dimensions)	(201,050)
Housing Benefit Administration Subsidy	(901,840)
Rent Allowance Subsidy	(43,714,130)
Rent Rebate Subsidy	(10,579,650)
Localised Council Tax Support Admin Subsidy Grant	(442,220)
Home Office Firefighters' Pension Grant	(766,340)
New Burdens	(100,000)
Total Finance	(58,728,180)

£

Economy, Regeneration & Commercial

New Homes Bonus Grant	(28,000)
Homes England	(110,000)
New Burdens - Environmental Bill	(14,720)
Homes England - Next Steps Funding	(14,700)
Building Better Opportunities	(164,900)
European Social Funds	(56,960)
ERDF	(199,210)
Countryside Agency	(142,840)
Syrian Resettlement Grant	(93,300)
Homelessness Prevention Grant	(491,400)
Feed Hygiene Grant	(82,610)
Total Economy, Regeneration & Commercial	(1,398,640)

Local Services

The Private Finance Initiative (PFI)	(3,141,000)
Extended Rights to Free Travel	(445,000)
Urban Tree Challenge Fund	(70,370)
OS - Cycle Training Grant	(76,560)
Local Authority Bus Subsidy (Revenue) Grant	(500,160)
Total Local Services	(4,233,090)

Strategic Finance

Local Services Support Grant	(87,910)
Total Strategic Finance	(87,910)

Total Service Specific Grants	(238,825,180)
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Inflation Schedule 2022-23

	Inflation Factor	Adult Social Care & Commissioning £	Strategic Finance £	Children's Services £	Finance £	Human Resources & Organisational Development, Culture & Leisure £	Chief Executive £	Economy, Regeneration & Commercial £	Local Services £	General Fund £
Local Government Employees	2.25%	-	3,025,660	-	-	-	-	-	-	3,025,660
Teachers	2.25%	-	19,640	-	-	-	-	-	-	19,640
Care Trust	2.25%	-	504,530	-	-	-	-	-	-	504,530
Soulbury	2.25%	-	20,830	-	-	-	-	-	-	20,830
Youth Workers	2.25%	-	10,070	-	-	-	-	-	-	10,070
Firefighters	2.25%	-	245,920	-	-	-	-	-	-	245,920
Members	2.25%	-	36,390	-	-	-	-	-	-	36,390
Total Pay Inflation		-	3,863,040	-	-	-	-	-	-	3,863,040
Gas	4.50%	3,410	-	1,940	11,930	2,960	-	500	3,820	24,560
Electricity	3.00%	3,110	-	4,510	21,530	3,860	-	960	52,970	86,940
Water charges	15.00%	6,750	-	1,650	33,650	4,000	-	2,350	33,500	81,900
Vehicle Fuel	5.00%	4,360	-	1,120	10,650	870	-	1,720	126,850	145,570
Vehicle Fuel - changes to red fuel duty	N/A	-	-	-	-	-	-	-	105,090	105,090
Business rates	3.00%	880	-	4,670	45,490	2,230	-	180	32,070	85,520
Council Tax	4.99%	200	-	-	310	100	-	510	250	1,370
Insurance - vehicles	8.00%	-	-	-	4,670	-	-	130	34,110	38,910
Insurance - buildings and contents	8.00%	8,090	-	2,020	8,920	15,000	-	240	7,060	41,330
Insurance - Employers Liability / Third Party	8.00%	10,910	-	9,680	12,310	3,330	80	4,870	97,690	138,870
PFI Scheme payments	N/A	-	-	-	102,200	-	-	-	1,609,000	1,711,200
Highway Salt	0.00%	-	-	-	-	-	-	-	46,600	46,600
Home to School Transport	N/A	-	-	-	-	-	-	-	425,000	425,000
Concessions to Bus Operators	0.60%	-	-	-	-	-	-	29,270	-	29,270
Social Care Contract Inflation	N/A	13,392,270	-	652,840	-	-	-	-	-	14,045,110
Funded by additional income	N/A	(3,686,360)	-	(60,790)	-	-	-	(180)	(44,220)	(3,791,550)
Social Care Contract Inflation re: Increase in Employers NI	N/A	505,470	-	152,410	-	-	-	-	-	657,880
IS Contract price inflation	N/A	-	-	-	10,370	-	-	-	-	10,370
IS Data Lines	N/A	-	-	-	9,250	-	-	-	-	9,250
Income on sales, fees and charges	3.00%	-	-	-	(13,100)	(32,640)	-	(39,450)	(26,670)	(111,860)
Total Non-Pay Inflation		10,249,090	-	770,050	258,180	(290)	80	1,100	2,503,120	13,781,330
Increments & Changes to Salaries		147,370	-	325,560	77,150	129,080	80,780	250,700	152,730	1,163,370
Increase in Employers National Insurance		231,520	-	178,840	221,660	72,980	23,550	95,980	134,790	959,320
Total		10,627,980	3,863,040	1,274,450	556,990	201,770	104,410	347,780	2,790,640	19,767,060

Recurrent Pressures Schedule 2022-26

Appendix 6

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Children's Services				
SEND Staffing revenue	222	-	-	-
Contribution to costs of Adoption North East	178	-	-	-
Staffing at the front door	230	-	-	-
Staff / non staff costs for Children's Homes - new builds and Ofsted recommendation	221	1,320	191	-
Total Children's Services	851	1,320	191	-
Human Resources & Organisational Development, Culture & Leisure				
Legal Services	55	(10)	-	-
HR - Training	200	-	-	-
Review of County Hall Post Room	44	-	-	-
Review of Libraries	100	-	-	-
Review of Tourism	60	-	-	-
Total Human Resources & Organisational Development, Culture & Leisure	459	(10)	-	-
Finance				
F & R - Engineering Services - Payments to Other Local Authorities	90	-	-	-
F & R - Increase in hydrant repair costs by NWL	6	-	-	-
F & R - Reduction in Fees from Training and Course fees	101	-	-	-
F & R - Lettings and Rental	37	-	-	-
F & R - Payment to NHS Bodies - Occupational Health Service	24	-	-	-
F & R - Protective Clothing	48	-	-	-
F & R - Specialist Equipment	60	-	-	-
Information Services - Contract Costs	100	-	-	-
Information Services - Software	249	-	-	-
Total Finance	715	-	-	-
Regeneration, Commercial & Economy				
NWL - Collection of water charges	137	-	-	-
Housing Services - Unachievable external income	115	-	-	-
Staff costs charged to projects	100	-	-	-
Land management carbon reduction income	147	-	-	-
Total Regeneration, Commercial & Economy	499	-	-	-
Corporate Items				
One Council pressure	560	-	-	-
Fixed Asset Revaluations	102	-	-	-
2021-22 pay award higher than budget	1,650	-	-	-
Total Corporate Items	2,312	-	-	-
Total Recurrent Pressures	4,836	1,310	191	-

Growth Schedule 2022-26

Appendix 7

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Adult Services				
Demographic Pressures	622	622	622	622
Additional social work staff for Review & Independence Team	100	-	-	-
Additional costs NHS Partnership	479	-	-	-
Total Adult Services	1,201	622	622	622
Chief Executive				
Climate Change Community Fund	50	-	-	-
Total Chief Executive	50	-	-	-
Children's Services				
SEN Home to School Transport Service	1,042	555	555	-
Total Children's Services	1,042	555	555	-
Finance				
Additional costs for Internal Audit following the cessation of the Shared Service	48	-	-	-
Information Services - Hardware	95	-	-	-
Information Services - Non-staffing costs	1	-	-	-
Additional IT costs - NHS Partnership	457	-	-	-
Total Finance	601	-	-	-
Human Resources & Organisational Development, Culture & Leisure				
Mobile units maintenance costs	-	35	-	-
e-licensing	50	50	50	-
Monitoring Officer Support	27	-	-	-
Total Human Resources & Organisational Development, Culture & Leisure	77	85	50	-
Local Services				
Traffic management for highway maintenance works	100	-	-	-
Bulky waste - additional vehicle & crew	76	-	-	-
Garden Waste Collection - additional vehicle & crew	141	-	-	-
Refuse Collection - additional vehicle & crew	141	-	-	-
Waste PFI Contract - waste growth	-	-	1,770	259
Total Local Services	458	-	1,770	259
Regeneration, Commercial & Economy				
Planning Service staffing	215	-	-	-
Borderlands Partnership staffing	-	12	48	-
Regeneration staffing	241	-	-	-
Total Regeneration, Commercial & Economy	456	12	48	-
Corporate Items				
Change in Levies (Environment Agency & NIFCA)	25	25	25	25
Total Corporate Items	25	25	25	25
Total Growth	3,910	1,299	3,070	906

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Non-Recurrent Pressures				
Chief Executive				
Quality Improvement & Complaints Officer	43	43	-	-
Total Chief Executive	43	43	-	-
Children's Services				
Education Capital Team	59	-	-	-
Total Children's Services	59	-	-	-
Finance				
IT backup and recovery service	159	159	159	159
Equality	50	-	-	-
Total Finance	209	159	159	159
Human Resources & Organisational Development, Culture & Leisure				
Elections	-	-	-	750
Human Resources & Organisational Development, Culture & Leisure	-	-	-	750
Local Services				
12 Month extension of glass recycling trial	43	-	-	-
Food Waste Collection Pilot Scheme	128	-	-	-
Waste PFI - additional volumes of waste	785	1,186	-	-
Highways Materials	127	127	-	-
Parks & Green Spaces	250	250	250	-
Total Local Services	1,333	1,563	250	-
Regeneration, Commercial and Economy				
Top up to Regeneration Development Reserve	-	-	-	-
Northumberland Local Plan review	425	-	-	-
Gypsy and Traveller Local Plan document	140	-	-	-
Cramlington Blueprint	50	-	-	-
Total Regeneration, Commercial and Economy	615	-	-	-
Corporate Items				
Gas hyper-inflation	260	298	-	-
Electricity hyper-inflation	819	771	-	-
Transformation Programme	3,000	3,000	3,000	-
Tota Cross Directorate	4,079	4,069	3,000	-
Total Non-Recurrent Pressures	6,338	5,834	3,409	909
Non-Recurrent Income				
Local Services				
Income from sale of electricity at EfW plant (PFI Contract)	(2,770)	(466)	-	-
Total Local Services	(2,770)	(466)	-	-
Total Non-Recurrent Income	(2,770)	(466)	-	-
Total Non-Recurrent Items	3,568	5,368	3,409	909

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Adult Services				
Reduction in block grants budget in Adult Social Care	65	-	-	-
Increase in income from Deputyship Fees	50	-	-	-
Care Management savings from the review of individual packages of care	3,000	2,000	2,000	2,000
Client Transport Review	50	-	-	-
Reduction in travel & subsistence budgets	96	-	-	-
Total Adult Services	3,261	2,000	2,000	2,000
Children's Services				
Transformation Team Posts	106	-	-	-
Reduction in travel & subsistence budgets	126	-	-	-
Management Efficiencies	138	-	-	-
Independent Fostering Agencies	100	-	-	-
Northumberland Adolescent Service: Efficiencies and service reduction	110	-	-	-
Early Help and Prevention: Efficiencies and income generation	50	-	-	-
Young Carers/Family Group conferencing	40	-	-	-
Family Time	33	-	-	-
Northumberland Safeguarding Children's Committee	34	-	-	-
Kyloe House - additional income	350	-	-	-
Reduction in Out of County Placements	245	1,785	490	-
Transfer of SEN Service to be funded from DSG and reduction in enhanced pensions	150	-	-	-
Total Children's Services	1,482	1,785	490	-
Finance				
Corporate Finance - reduction in non staffing budgets	110	-	-	-
Corporate Finance - income generation	26	-	-	-
Procurement - income generation	38	-	-	-
Procurement - staff saving following dissolution of the shared service	23	-	-	-
Property Services - removal of vacant posts	80	-	-	-
Revenues & Benefits - removal of vacant posts	152	-	-	-
Reduction to the contingency	549	1,451	-	-
Removal of enhanced pensions budget no longer required	64	-	-	-
Reduction in travel & subsistence budgets	26	-	-	-
Information Services - Renegotiation and termination of software contracts	74	35	-	-
Place Cube channel shift	45	45	-	-
Total Finance	1,187	1,531	-	-
Chief Executive				
Improvement and Innovation establishment saving	46	-	-	-
SLA with NEHL companies and Advance	49	-	-	-
Total Chief Executive	95	-	-	-

	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Human Resources & Organisational Development, Culture & Leisure				
Reduction in Active Northumberland Management Fee	100	100	200	200
Cancellation of hire vehicle contracts for mobile outreach library provision	70	-	-	-
Reduction in travel & subsistence budgets	11	-	-	-
Reduction in non staffing budgets	15	-	-	-
Removal of vacant posts	158	-	-	-
Human Resources & Organisational Development, Culture & Leisure	354	100	200	200
Local Services				
Increased income from coastal tourism car parks (increased charge in car parks already with charges)	154	-	-	-
Amble Turner St Car Park - introduction of parking charges	44	-	-	-
Restructure of Infrastructure records	15	-	-	-
Income from country parks (increased parking charges plus other trading activity)	40	-	-	-
Income from charges from cremations	45	-	-	-
Income from sale of electricity at EfW plant (PFI Contract)	1,177	-	-	-
Income from waste fees and charges:				
- Bulky	50	-	-	-
- Garden	250	-	-	-
- Trade	174	-	-	-
Reduction in travel & subsistence budgets	12	-	-	-
Total Local Services	1,961	-	-	-
Regeneration, Commercial and Economy				
Planning Performance Agreements	110	70	-	-
Pre Application Fees	175	-	-	-
Highways design	30	60	30	-
Neighbourhood Plan	27	-	-	-
Reduction in travel & subsistence budgets	22	-	-	-
Total Regeneration, Commercial and Economy	364	130	30	-
Cross Directorate/Corporate				
Review of Executive and Senior Management Structure	1,000	-	-	-
Total Cross Directorate/Corporate	1,000	-	-	-
Total Efficiencies	9,704	5,546	2,720	2,200

Corporate Equality Impact Assessment

Carrying out an Equality Impact Assessment (EIA) will help the County Council to meet its Public Sector Equality Duties (Equality Act 2010).

The duties which need to be considered when making decisions are to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

Failure to assess the equality impact may increase the risk of making an unfair decision which could potentially be discriminatory. It also prevents us from identifying opportunities to promote equality and therefore leaves the County Council open to potential legal challenge.

Using this EIA template will help to ensure that a decision is made in a fair way, based on evidence. It provides a clear and structured method to assess the potential impact on protected groups.

<p>Title of policy or proposal</p>	<p>Budget report for 2022-23 (assessment of overall impacts of the package of proposals that have been put forward as part of the budget report for 2022-23.)</p>
<p>Briefly describe the aims of the policy change, decision or proposal, the likely outcomes and the rationale for it</p>	<p>The County Council has a statutory duty to set a budget and these proposals will include savings of £9.704 million with impacts on a number of the Council's services, and a planned increase in Council Tax of 4.24% including a precept of 2.25% specifically allocated to provide funding for adult social care.</p> <p>All individual budget savings proposals for 2022-23 have been initially screened for potential equality implications, and where this has identified potential equality impacts, specific impact assessments have been or will be carried out – except in cases where the final decision on whether to proceed with the saving will be taken after the budget round. In those cases, impact assessments will be carried out prior to final decisions being made and those assessments could, potentially, lead to decisions that some savings should not be made as currently proposed but should</p>

	<p>be achieved in other ways.</p> <p>Some planned savings such as those through reduced use of out of county placements and reduced use of independent fostering agencies in children's social care, and reviews of how risks are being managed in care plans in adult social care will involve case by case assessments of how best to meet the needs of individuals. In these cases, individuals' protected characteristics will be considered during assessments, and it is possible that the outcome may be a lower or higher level of savings than the assumption in the budget.</p>
<p>Consider the potential impact on any member of staff or member of the public with the following protected characteristics:</p> <p>Age, Disability, Gender identity/Gender reassignment, Race, Religion or belief, Sex, Sexual orientation, Women who are pregnant or have recently had a baby.</p> <p>Also, for issues affecting staff, consider employees who are married or in a civil partnership.</p>	
<p>What information is already held or have you obtained through consultation or engagement activity?</p>	<p>Age: The age profiles of users of services vary significantly between the services. In particular, children's services are especially relevant to children and young people and to adults in the age range most likely to have dependent children, whilst adult social care services are particularly relevant to older people. A distinctive feature of Northumberland is that it has an above average proportion of older people in its population, and the projection is for a higher than average increase in this proportion over the coming decade – a change which will affect most Council services.</p> <p>Disability: All significant Council services within all Directorates are used by disabled people. Managers of individual services are expected to ensure that they understand specific issues which arise for disabled users, and to make reasonable adjustments to address any identified barriers to access.</p> <p>Most adult social care services are specifically designed to support disabled people, and disabled children are among those most likely to have special educational needs or to be "children in need" requiring</p>

	<p>social care. Services provided by each of the other Directorates also include some which focus on supporting disabled people, such as concessionary transport schemes.</p> <p>Two of the proposed savings in adult social care involve a reduction in spending on services for disabled people. The savings are expected to come from the ongoing management of risks in individual care and support plans and a review of transport. Both of these savings are estimates of what savings it may be possible to achieve in each area, rather than firm plans about how savings will be realised, so equality impacts cannot be fully assessed at this point. Reviews of how risks are managed in individual care and support plans take account in each individual case of any potential impacts associated with the disabilities of service users; where possible, the aim of these reviews is to identify ways in which risks to service users can be managed without unnecessarily intrusive supervision, which both reduces costs and improves service users' quality of life. The review of transport arrangements will be carried out, carefully, on an individual basis in a similar way. The aim will be where possible to find local options for people who currently have to travel excessive distances, and where people do need to travel to ensure transport is provided efficiently and in line with their needs.</p> <p>Any disabled staff affected by the proposals will be supported through the process and any reasonable adjustments required will be made. Discussions will take place to identify any new adjustments or support required depending on the outcome of the process.</p> <p>Gender identity/Gender reassignment: Numbers of transgender people are believed to be low as a proportion of the users of any Council service. While there are a wide range of barriers to access that can arise for people in this protected group, as a result either of prejudice or of rules and systems based on the assumption of fixed gender, it seems unlikely that any Council services will incur spending on meeting the needs of this protected group which is sufficiently significant in relation to overall budgets to affect the</p>
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	<p>overall budget settlement, and none of the services affected by savings proposals has been identified as likely to have a significant differential impact on this group.</p> <p>Race: Because of the demographic composition of the County, none of the Council's services spends a substantial proportion of its budget in ways which have a clear differential impact on specific racial groups. The diverse and dispersed nature of the County's minority populations mean that statistics on service usage are not easy to interpret, but there is no current reason to believe that take-up of major services is disproportionately low in any racial group, though there can at times be issues about the availability of culturally appropriate services, because of the lack of substantial groups of potential users for these. There are also some specific issues about support for gypsies and travellers, refugees and asylum seekers – where relevant, these have been/will be considered in the EIAs for specific budget proposals.</p> <p>Religion or belief: In some Council services, particularly in education, but also to some extent in care services, religious organisations provide significant services. In some cases, these organisations give preference to adherents of a specific religion. The overall impact of current arrangements is likely to be that people of some particular faiths are in some circumstances slightly advantaged compared to those of other faiths or who are not religious. None of the budget proposals has been assessed as likely to have significant overall differential impacts for people with specific religions or beliefs, but where relevant this issue will be considered during detailed planning for implementation of the proposals.</p> <p>Sex: Patterns of usage of specific services vary, but in general Council services are used by women more than by men. For instance social care services for older people are disproportionately used by women, because of their greater longevity and higher rates of disability; and many children's services may still be</p>
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	<p>more significant in their impact on women because of the continuation of traditional assumptions about the gender balance of child-care responsibilities.</p> <p>EIAs on specific savings proposals have considered/will consider more closely the gender balance of their users.</p> <p>Sexual orientation: We have limited information about differences in overall usage of services by sexual orientation. It is probable that lesbian, gay and bisexual (LGB) people, and in particular gay men, are less likely to be parents making use of children's services than other groups, and it has been suggested that LGB people may also be likely to have more limited sources of family support than other groups if they need care and might therefore have disproportionate need for publicly funded care services. In addition, a number of services available to support LGBT people exist outside of the geographical boundaries of the county and access has been affected by restrictions due to Covid-19. Sexual orientation can also affect health and therefore care needs – for instance LGB people are statistically more likely to have mental health or substance misuse problems, and gay men remain more at risk of HIV infection than heterosexual men, though numbers of people requiring support for that reason remain low in Northumberland. Otherwise, differences in the experiences of people of different sexual orientations are likely in general to be concerned with the culture of services, and in some cases of other users of services, rather than being directly connected with levels of spending.</p> <p>Women who are pregnant or recently had a baby:</p> <p>Some specific Council services are particularly relevant to pregnant women and women with young babies. No general issues have been identified, though there are specific issues which might need to be considered in the case of some savings proposals.</p> <p>The Council regularly publishes an analysis of its equality information. The most recent report is available on the Equality in Northumberland page of</p>
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	the Council's website.
<p>After considering the information, which protected groups may potentially be affected?</p>	<p>Potentially affected: Age Disability Gender identity/Gender reassignment Race Religion or belief Sex Sexual orientation</p> <p>Not potentially affected: Women who are pregnant or recently had a baby People who are married or in a civil partnership</p> <p>There is no reason to believe that overall budget allocations will have any differential impact on the treatment of employees who are married or in civil partnerships. However, further equality impact assessments linked to the implementation of specific budget proposals will be carried out where necessary and will consider whether there is a possibility of differential impacts. It will remain in principle possible for the allocation of savings to be reviewed after the setting of the Council budget if these assessments show that there is evidence of a relevant differential impact on this group.</p>
<p>Using the information you have, give details of any potential positive and negative impacts on protected groups likely to be affected by the policy change, decision or proposal</p>	<p>Age: People of different age groups could be disproportionately advantaged or disadvantaged by the budget proposals. Because of the overall pattern of Council expenditure, there are likely to be particularly significant impacts on children and young people and on the oldest age groups.</p> <p>However, when developing detailed plans for implementing savings in 2022-23 that might affect different age groups, specific assessments have been, or will be, undertaken as the proposals are developed and solutions will be sought which minimise any adverse impacts that are identified during impact assessments.</p> <p>Savings have been proposed within the budget for a</p>

	<p>review of Adolescent/Youth services and whilst there is currently not expected to be a significant adverse impact this issue will be kept under review as savings plans are finalised.</p> <p>Given the nature of the Council's statutory responsibilities and taking into account the scale of savings required and other Council priorities, Members may take the view that age-specific impacts cannot reasonably be avoided. In developing detailed plans for implementing savings, solutions will be sought which minimise adverse impacts.</p> <p>The impact of the budget proposals on the ability of people of different age groups to participate in public life will need to be considered carefully in developing some specific proposals for 2022-23. If more detailed equality impact assessments indicate there could be a disproportionate negative impact those proposals will be reviewed.</p> <p>Disability:</p> <p>Disabled people are more likely than others to depend on local authority services to support their quality of life and their ability to live independently, so any major reduction in public spending has the potential to have a particular impact on disabled people. In some cases, it may be possible to achieve better outcomes for disabled people at the same time as reducing costs. For instance, the continued review of expenditure on commissioned services and reviews of individual risk management plans, which will continue in adult social care, aim to support people to live more independently and seek to review over-protective care arrangements which prevent that. The scale of savings in adult social care, combined with the fact that these savings will have to be achieved as the cumulative consequence of decisions about individual cases taking full account of protected characteristics, means there is a risk that the full savings might not be achieved.</p> <p>A positive impact for disabled people using care services in Northumberland is anticipated from increased funding provision to care organisations to enable them to pay the "Real Living Wage" from 1</p>
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	<p>April. This should help to address workforce retention issues in this sector, which have had adverse impacts on disabled people who need care and support services.</p> <p>As individual proposals are implemented, specific assessments will be undertaken as the proposals are developed as consideration will need to be given to mitigation against any increased risk for disabled residents. However, given the overall savings required, Members may judge the impact of the budget proposals to be acceptable after other alternatives have been considered.</p> <p>Impacts of other proposals have been considered in individual EIAs or will be considered before final decisions are made. Again, Members may judge that the overall impact of these proposals is acceptable after other alternatives have been considered given the very challenging overall financial position.</p> <p>No major and widespread impact on participation in public life is anticipated, though some changes might have some impact on some people. For example, the impact of proposed increases to car parking fees in some car parks, including Country Parks, on disabled people has been mitigated by allowing Blue Badge scheme pass holders to continue to park at no cost. EIAs on individual savings proposals have considered (or will consider) this issue.</p> <p>No major and widespread impact on public attitudes towards disabled people is anticipated, though some changes might have some impact on some people. EIAs on individual savings proposals have considered (or will consider) this issue.</p> <p>No significant risks that might make it more likely that disabled people will be at risk of harassment or victimisation of this kind have so far been identified, though the issue will be considered in more detailed EIAs of those proposals on which further work is planned after the budget has been set. The operation of safeguarding arrangements focused on identifying harassment or victimisation of disabled people will continue to be an important priority for the Council.</p> <p>Potential adjustments have been/will be considered in</p>
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	<p>EIAs on individual savings proposals.</p> <p>If the proposals result in redundancies, there is some evidence that disabled staff may face additional barriers in securing alternative employment. Northumberland County Council is part of the Government's Disability Confident scheme and to help to overcome any adverse impact offers a Guaranteed Interview Scheme for disabled job applicants. This ensures that all disabled members of staff who meet the essential requirements for a post will be shortlisted for interview; they will not be required to meet the desirable requirements. Reasonable adjustments will be made for disabled staff that need to be relocated or for those staff working from home due to current Covid-19 restrictions.</p> <p>This information will be publicised to all affected employees. Guidance for managers supporting disabled employees, available on the Council website, and through Enable Staff Disability Network, will be promoted to staff as a source of advice and support.</p> <p>Specific opportunities to create positive impacts in the course of making changes required to achieve savings have been/will be considered in assessing the equality impact of each specific proposal.</p> <p>Gender identity/Gender reassignment:</p> <p>No issues have currently been identified as a result of which people with different gender identities or who have transitioned or are transitioning would be disproportionately advantaged or disadvantaged by this budget, though the question will be considered during further development of individual savings proposals. The Council is continuing to work to promote awareness and provide support to people with different gender identities or who have changed from the gender they were assigned at birth.</p> <p>No significant differential impact on the ability of people who have transitioned or are transitioning to participate in public life has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget</p>
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	<p>proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact that would affect public attitudes towards people who have transitioned or are transitioning has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact that would make it more likely that people who have transitioned or are transitioning will be at risk of harassment or victimisation has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>It does not currently appear likely there is a risk that people who have transitioned or are transitioning could be disproportionately disadvantaged by this budget but this issue has been/will be considered further in EIAs for specific savings proposals.</p> <p>Opportunities to create positive impacts for people who have transitioned or are transitioning will need to be considered in planning the implementation of specific budget proposals.</p> <p>Race:</p> <p>No significant differential impact on specific national or ethnic minorities protected by the Equality Act 2010 has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact on the ability of specific national or ethnic minorities to participate in public life has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact that would affect</p>
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	<p>public attitudes towards people of different national or ethnic minorities has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact that would make it more likely that people from different national or ethnic minorities will be at risk of harassment or victimisation has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>It does not currently appear likely there is a risk that people of different national or ethnic minorities could be disproportionately disadvantaged by this budget, but this issue has been/will be considered further in EIAs for specific savings proposals.</p> <p>Opportunities to create positive impacts for people of different national or ethnic minorities will need to be considered in planning the implementation of specific budget proposals. The continuing development of personal budgets across a range of adult and children's services offers a specific opportunity to empower people to arrange culturally appropriate forms of support.</p> <p>Religion or belief:</p> <p>No issues have currently been identified as a result of which people with different religions or beliefs might be disproportionately advantaged or disadvantaged by this budget, though the question will be considered during further development of individual savings proposals.</p> <p>No significant differential impact on the ability of people with specific religious or other beliefs to participate in public life has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p>
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	<p>No significant differential impact that would affect public attitudes towards people with religious or other beliefs has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact that would make it more likely that people with religious or other beliefs will be at risk of harassment or victimisation has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>It does not currently appear likely there is a risk that people with religious or other beliefs could be disproportionately disadvantaged by this budget, but this issue has been/will be considered further in EIAs for specific savings proposals.</p> <p>Opportunities to create positive impacts for people with religious or other beliefs will need to be considered in planning the implementation of specific budget proposals.</p> <p>Sex:</p> <p>Because of the pattern of usage of Council services, it is likely that any substantial reduction in Council budgets will disproportionately disadvantage women.</p> <p>Women also make up substantially more than half of the Council's directly employed workforce, and the position is likely to be similar overall across organisations providing services commissioned by the Council, because many of these are services which still have predominantly female workforces, such as care services, so any reductions in employment, direct or indirect, as a result of budget savings are likely disproportionately to affect women.</p> <p>The proposed offer to care providers of funding to enable them to pay the "real living wage" to care workers will benefit a low paid workforce which remains predominantly female.</p> <p>Detailed issues have been/will be considered in EIAs</p>
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	<p>on specific savings proposals and will be examined further in the course of implementation, where relevant.</p> <p>As with a number of public services, libraries are used more by women than by men, so the potentially greater impact of changes on women will need to be considered as proposals are developed.</p> <p>No significant issues that would affect the ability of males or females to participate in public life have so far been identified. However, the need for further impact assessment, to support decisions during the further development and implementation of the proposals, will be considered and this issue will be further examined where relevant.</p> <p>No significant issues that might differentially affect public attitudes towards males or females have so far been identified. However, the need for further impact assessment, to support decisions during the further development and implementation of the proposals, will be considered and this issue will be further examined where relevant.</p> <p>No significant risks that might make it more likely that males or females will be at risk of harassment or victimisation of this kind have so far been identified, though the issue will be considered in more detailed EIAs of those proposals on which further work is planned after the budget has been set.</p> <p>The Council has only a limited ability to mitigate the overall impact of budget reductions on women, which is largely a consequence of the wider economic situation, and of decisions taken nationally about how to respond to this. However, in considering specific proposals for 2022-23, Members will need to take into account the potential detrimental consequences of budget savings for equality between the sexes. More specific opportunities for reducing disadvantage to women (or possibly, in some cases, to men) have been or will be considered in EIAs for specific savings proposals.</p> <p>Specific opportunities to create positive impacts in the course of making changes required to achieve savings have been or will be considered in assessing</p>
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	<p>the equality impact of each specific proposal.</p> <p>Sexual orientation:</p> <p>The budget proposals planned for 2022-23 currently appear unlikely to have a differential impact. Where necessary, further assessment of the impact on people with different sexual orientations will be linked to the implementation of specific budget proposals.</p> <p>No significant differential impact on the ability of people of different sexual orientations to participate in public life has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant differential impact on public attitudes towards people of different sexual orientations has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No significant risks that might make it more likely that people with different sexual orientations will be at risk of harassment or victimisation has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.</p> <p>No specific opportunities to create positive impacts for people with different sexual orientations linked to budget savings have so far been identified; this issue will need to be considered where relevant in developing detailed proposals.</p> <p>If EIAs linked to the implementation of specific budget proposals identify differential impacts, they will need to consider whether there are reasonable steps that could be taken to reduce these.</p> <p>Women who are pregnant or recently had a baby:</p> <p>The risk that pregnant women or those with children under 26 weeks could be disproportionately disadvantaged will need to be considered where</p>
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	<p>relevant in carrying out detailed EIAs required to support the implementation of specific budget proposals.</p> <p>No significant risk has been identified that the budget proposals will affect public attitudes towards pregnant women or those with children under 26 weeks however further detailed EIAs on individual savings will, where it is relevant, consider this issue.</p> <p>No significant risk has been identified that the budget proposals will make it more or less likely that pregnant women or those with children under 26 weeks will be at risk of harassment or victimisation but further detailed EIAs on individual savings will where relevant consider this issue.</p> <p>Opportunities to create positive impacts for pregnant women or those with children under 26 weeks will need to be considered where relevant in carrying out detailed EIAs required to support the implementation of specific budget proposals.</p>
<p>Give details of any Human Rights implications and actions that may be needed to safeguard Human Rights.</p>	<p>Human rights issues have been considered in EIAs of specific budget proposals, and no unacceptable implications have been identified. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider potential human rights issues. It would in principle be possible to review the overall balance of the budget savings if these specific EIAs revealed human rights issues which could not be addressed within them; however this does not appear likely to be necessary.</p>
<p>Give details of any actions that can be taken to promote equality or to lessen any potential adverse impact on protected groups.</p>	<p>If EIAs linked to the implementation of specific budget proposals identify differential impacts on any protected groups, they will need to consider whether there are reasonable steps that could be taken to reduce these.</p>
<p>What plans are there to monitor and review the actual impact of the policy change, decision or proposal on equality</p>	<p>Monitoring arrangements have been/will be considered in EIAs for specific budget proposals and service changes. The Council carries out an annual strategic equality information analysis, which provides a regular overview of significant equalities issues</p>

of opportunity?	across services, including any issues which emerge as a result of budget changes.
When will follow up review be done?	Follow up reviews will be done for individual EIAs for specific proposals as these are developed and implemented. Further reviews of specific proposals will be done if these are identified during the annual equality information analysis.
Based on a consideration of all the potential impacts, mark one of the following as an overall summary of the outcome of this assessment:	
	The equality analysis has not identified any potential for discrimination or adverse impact and all opportunities to promote equality have been taken.
	The equality analysis has identified risks or opportunities to promote better equality; the change, decision or proposal will be adjusted to avoid risks and ensure that opportunities are taken.
X	The equality analysis has identified risks to equality which will not be eliminated, and/or opportunities to promote better equality which will not be taken. Acceptance of these is reasonable and proportionate, given the objectives of the change, decision or proposal, and its overall financial and policy context.
	The equality analysis shows that the change, decision or proposal would lead to actual or potential unlawful discrimination or would conflict with the Council's positive duties to an extent which is disproportionate to its objectives. It should not be adopted in its current form.
Explain how the judgement above was reached and summarise steps which will be taken to reduce any negative or to enhance any positive impacts on equality	It does not appear possible to achieve substantial budget savings without some detrimental effect on people in protected groups because one of the functions of many public services is to provide additional support to disadvantaged groups. However, there are opportunities to make budget savings in ways which minimise these impacts, and which contribute to making changes in services which have some positive aspects for protected groups.

	<p>The opportunity to increase council tax by an additional 2.25% has been taken to help reduce the impact on services used by older and disabled people.</p> <p>The Council's approach will continue to be to address equality and human rights issues on a number of levels:</p> <p>This impact assessment will support the Council's decisions about the budget for each Directorate, the overall level of the budget, and the specific savings proposals included in the final budget.</p> <p>Individual EIAs have been carried out for each savings proposal included in the Council's budget, other than proposals which will be developed more fully following further consultation and review, and proposals which were assessed at a screening stage as having no significant potential impact on equality or human rights - for instance because they are concerned purely with improving technical efficiency.</p> <p>Where the intention is to develop proposals more fully after the budget has been set, or where there are significant further decisions to be taken during the implementation of any of the budget proposals, the need for further EIAs will be considered. If any of these identifies a potential need to revise either budget decisions within a Directorate budget or the overall balance of savings between Directorates, this will be considered through the Council's usual decision-making processes.</p> <p>Where the Council has specific statutory duties to individuals in protected groups – for instance its duties to disabled people under social services legislation – it will continue to fulfil these duties, even if the overall impact requires the Executive Team to recommend alternative compensating savings for consideration. Changes to the budgets which have been set for specific services or Directorates (though the first options considered will usually be budget adjustments within a Directorate)</p>
<p>Name(s) and job title(s) of person (people)</p>	<p>Keith Thompson – Rights Team Manager</p>

involved in) carrying out this assessment	Stephen Corlett – Senior Manager
Authorising director or head of service	Cath McEvoy-Carr
Date authorised	13 January 2022
The completed equality impact assessment must be attached to the report that will be considered by the decision maker or decision makers to enable them to give due regard to the impact of the policy, decision or proposal on protected groups.	

Budget by Service Area 2022-23

		2021-22 Budget	Developments (money allocated from contingency)	Virements	Increments	Inflation	NI Increase	Growth	Pressures	Savings	Funding Changes	Requested Budget 2022-23	% Change
		£	£	£	£	£	£	£	£	£	£	£	£
Adult Social Care & Commissioning	Pay	34,562,070	-	965,070	259,040	-	239,550	100,700	-	-	-	36,126,430	4.53%
	Non Pay	185,125,880	-	169,860	(111,670)	13,935,450	(8,030)	20,000	62,580	(4,294,010)	8,310	194,908,370	5.28%
	Gross Expenditure	219,687,950	-	1,134,930	147,370	13,935,450	231,520	120,700	62,580	(4,294,010)	8,310	231,034,800	5.16%
	Grants	(17,222,640)	-	(181,470)	-	-	-	-	-	-	(8,310)	(17,412,420)	1.10%
	Sales, Fees, Charges	(34,869,020)	-	-	-	(3,686,360)	-	-	-	-	-	(37,522,370)	7.61%
	Other Income	(64,396,760)	-	(298,860)	-	-	-	-	-	1,033,010	-	(64,695,620)	0.46%
	Gross Income	(116,488,420)	-	(480,330)	-	(3,686,360)	-	-	-	1,033,010	(8,310)	(119,630,410)	2.70%
	Net Expenditure	103,199,530	-	654,600	147,370	10,249,090	231,520	120,700	62,580	(3,261,000)	-	111,404,390	7.95%
Strategic Finance	Pay	2,844,820	70,000	-	-	-	-	-	-	(64,000)	-	2,850,820	0.21%
	Non Pay	34,823,230	(616,920)	(1,715,170)	-	3,863,040	-	4,788,220	30,362,000	(1,549,000)	-	69,955,400	100.89%
	Gross Expenditure	37,668,050	(546,920)	(1,715,170)	-	3,863,040	-	4,788,220	30,362,000	(1,613,000)	-	72,806,220	93.28%
	Grants	(87,910)	-	-	-	-	-	-	-	-	-	(87,910)	0.00%
	Sales, Fees, Charges	-	-	-	-	-	-	-	-	-	-	-	0.00%
	Other Income	(25,114,060)	-	1,770	-	-	-	(213,560)	-	-	-	(25,325,850)	0.84%
	Gross Income	(25,201,970)	-	1,770	-	-	-	(213,560)	-	-	-	(25,413,760)	0.84%
	Net Expenditure	12,466,080	(546,920)	(1,713,400)	-	3,863,040	-	4,574,660	30,362,000	(1,613,000)	-	47,392,460	280.17%
Children's Services	Pay	47,002,110	-	(784,140)	1,030,050	2,800	274,510	-	290,570	(375,210)	(68,250)	47,372,440	0.79%
	Non Pay	191,326,230	-	(5,438,670)	131,370	844,500	(5,320)	1,042,000	620,740	(978,710)	4,528,330	192,070,470	0.39%
	Gross Expenditure	238,328,340	-	(6,222,810)	1,161,420	847,300	269,190	1,042,000	911,310	(1,353,920)	4,460,080	239,442,910	0.47%
	Grants	(153,420,240)	-	1,620,360	(717,690)	(32,550)	(66,080)	-	-	(94,240)	(4,254,500)	(156,964,940)	2.31%
	Sales, Fees, Charges	(1,584,680)	-	(15,280)	-	(10)	-	-	-	-	-	(1,599,970)	0.96%
	Other Income	(17,794,390)	-	4,600,690	(118,170)	(44,690)	(24,270)	-	58,740	(34,000)	(205,580)	(13,561,670)	-23.79%
	Gross Income	(172,799,310)	-	6,205,770	(835,860)	(77,250)	(90,350)	-	58,740	(128,240)	(4,460,080)	(172,126,580)	-0.39%
	Net Expenditure	65,529,030	-	(17,040)	325,560	770,050	178,840	1,042,000	970,050	(1,482,160)	-	67,316,330	2.73%
Finance	Pay	35,986,170	158,480	226,380	(477,100)	-	221,660	159,260	43,440	(254,950)	-	36,063,340	0.21%
	Non Pay	78,823,110	41,360	(1,929,060)	-	271,280	-	421,640	1,098,420	(255,160)	-	78,471,590	-0.45%
	Gross Expenditure	114,809,280	199,840	(1,702,680)	(477,100)	271,280	221,660	580,900	1,141,860	(510,110)	-	114,534,930	-0.24%
	Grants	(58,728,180)	-	-	-	-	-	-	-	-	-	(58,728,180)	0.00%
	Sales, Fees, Charges	(3,805,430)	-	60,830	-	(13,100)	-	-	138,000	(64,000)	-	(3,683,700)	-3.20%
	Other Income	(9,968,370)	-	1,895,610	554,250	-	-	-	-	-	-	(7,518,510)	-24.58%
	Gross Income	(72,501,980)	-	1,956,440	554,250	(13,100)	-	-	138,000	(64,000)	-	(69,930,390)	-3.55%
	Net Expenditure	42,307,300	199,840	253,760	77,150	258,180	221,660	580,900	1,279,860	(574,110)	-	44,604,540	5.43%
Human Resources & Organisational Development	Pay	12,904,380	309,510	125,630	129,080	-	72,980	27,000	-	(157,990)	-	13,410,590	3.92%
	Non Pay	12,400,240	10,850	(734,940)	-	32,350	-	50,000	655,640	(196,040)	-	12,218,100	-1.47%
	Gross Expenditure	25,304,620	320,360	(609,310)	129,080	32,350	72,980	77,000	655,640	(354,030)	-	25,628,690	1.28%
	Grants	-	-	-	-	-	-	-	-	-	-	-	0.00%
	Sales, Fees, Charges	(2,052,010)	-	121,950	-	(32,640)	-	-	-	-	-	(1,962,700)	-4.35%
	Other Income	(1,440,760)	-	705,470	-	-	-	-	-	-	-	(735,290)	-48.97%
	Gross Income	(3,492,770)	-	827,420	-	(32,640)	-	-	-	-	-	(2,697,990)	-22.76%
	Net Expenditure	21,811,850	320,360	218,110	129,080	(290)	72,980	77,000	655,640	(354,030)	-	22,930,700	5.13%
Chief Executive	Pay	2,367,670	-	561,300	146,330	-	23,550	-	-	(45,590)	-	3,053,260	28.96%
	Non Pay	366,540	-	(7,100)	-	80	-	50,000	-	-	-	409,520	11.73%
	Gross Expenditure	2,734,210	-	554,200	146,330	80	23,550	50,000	-	(45,590)	-	3,462,780	26.65%
	Grants	-	-	-	-	-	-	-	-	-	-	-	0.00%
	Sales, Fees, Charges	(267,400)	-	7,100	-	-	-	-	-	-	-	(260,300)	-2.66%
	Other Income	-	-	-	(65,550)	-	-	-	-	(49,000)	-	(114,550)	0.00%
	Gross Income	(267,400)	-	7,100	(65,550)	-	-	-	-	(49,000)	-	(374,850)	40.18%
	Net Expenditure	2,466,810	-	561,300	80,780	80	23,550	50,000	-	(94,590)	-	3,087,930	25.18%

Budget by Service Area 2022-23

		2021-22 Budget	Developments (money allocated from contingency)	Virements	Increments	Inflation	NI Increase	Growth	Pressures	Savings	Funding Changes	Requested Budget 2022-23	% Change	
		£	£	£	£	£	£	£	£	£	£	£	£	
Economy, Regeneration & Commercial	Pay	13,264,080	-	1,954,330	21,550	-	97,730	265,590	-	(27,000)	-	15,576,280	17.43%	
	Non Pay	9,506,140	30,600	(1,002,300)	-	40,430	-	-	875,100	(22,000)	(14,560)	9,413,410	-0.98%	
	Gross Expenditure	22,770,220	30,600	952,030	21,550	40,430	97,730	265,590	875,100	(49,000)	(14,560)	24,989,690	9.75%	
	Grants	(2,038,010)	-	398,760	226,100	(50)	-	-	-	-	14,560	(1,398,640)	-31.37%	
	Sales, Fees, Charges	(7,145,570)	-	(262,360)	(1,210)	(39,150)	-	-	252,650	(315,000)	-	(7,510,640)	5.11%	
	Other Income	(6,914,820)	-	(1,051,720)	4,260	(130)	(1,750)	190,410	-	-	-	(7,773,750)	12.42%	
	Gross Income	(16,098,400)	-	(915,320)	229,150	(39,330)	(1,750)	190,410	252,650	(315,000)	14,560	(16,683,030)	3.63%	
	Net Expenditure	6,671,820	30,600	36,710	250,700	1,100	95,980	456,000	1,127,750	(364,000)	-	8,306,660	24.50%	
Local Services	Pay	31,691,280	-	(97,970)	439,720	348,830	195,730	222,440	106,760	(15,000)	-	32,891,790	3.79%	
	Non Pay	93,211,350	(3,880)	(6,026,360)	-	2,574,010	-	234,660	1,471,670	(1,189,600)	-	90,271,850	-3.15%	
	Gross Expenditure	124,902,630	(3,880)	(6,124,330)	439,720	2,922,840	195,730	457,100	1,578,430	(1,204,600)	-	123,163,640	-1.39%	
	Grants	(4,061,850)	-	(171,240)	-	-	-	-	-	-	-	(4,233,090)	4.22%	
	Sales, Fees, Charges	(14,633,670)	-	296,490	(24,610)	(28,970)	(3,950)	-	-	(757,000)	-	(15,151,710)	3.54%	
	Other Income	(31,534,340)	-	6,005,040	(261,380)	(390,750)	(56,990)	-	-	-	-	(26,238,420)	-16.79%	
	Gross Income	(50,229,860)	-	6,130,290	(285,990)	(419,720)	(60,940)	-	-	(757,000)	-	(45,623,220)	-9.17%	
	Net Expenditure	74,672,770	(3,880)	5,960	153,730	2,503,120	134,790	457,100	1,578,430	(1,961,600)	-	77,540,420	3.84%	
Total Services	Pay	180,622,580	537,990	2,950,600	1,548,670	351,630	1,125,710	774,990	440,770	(939,740)	(68,250)	187,344,950	3.72%	
	Non Pay	605,582,720	(537,990)	(16,683,740)	19,700	21,561,140	(13,350)	6,606,520	35,146,150	(8,484,520)	4,522,080	647,718,710	6.96%	
	Gross Expenditure	786,205,300	-	(13,733,140)	1,568,370	21,912,770	1,112,360	7,381,510	35,586,920	(9,424,260)	4,453,830	835,063,660	6.21%	
	Grants	(235,558,830)	-	1,666,410	(491,590)	(32,600)	(66,080)	-	-	(94,240)	(4,248,250)	(238,825,180)	1.39%	
	Sales, Fees, Charges	(64,357,780)	-	208,730	(25,820)	(3,800,230)	(3,950)	-	390,650	(102,990)	-	(67,691,390)	5.18%	
	Other Income	(157,163,500)	-	11,858,000	113,410	(435,570)	(83,010)	(23,150)	58,740	(83,000)	(205,580)	(145,963,660)	-7.13%	
	Gross Income	(457,080,110)	-	13,733,140	(404,000)	(4,268,400)	(153,040)	(23,150)	449,390	(280,230)	(4,453,830)	(452,480,230)	-1.01%	
	Net Expenditure	329,125,190	-	-	1,164,370	17,644,370	959,320	7,358,360	36,036,310	(9,704,490)	-	382,583,430	16.24%	
Corporate Funding	Pay	-	-	-	-	-	-	-	-	-	-	-	0.00%	
	Non Pay	5,117,000	-	-	-	-	-	-	-	-	(28,479,000)	(23,362,000)	-556.56%	
	Gross Expenditure	5,117,000	-	-	-	-	-	-	-	-	(28,479,000)	(23,362,000)	-556.56%	
	Grants	(114,370,150)	-	-	-	-	-	-	-	-	(9,170,670)	(123,540,820)	8.02%	
	Sales, Fees, Charges	-	-	-	-	-	-	-	-	-	-	-	0.00%	
	Other Income	(219,872,040)	-	-	-	-	-	-	-	-	(15,808,570)	(235,680,610)	7.19%	
	Gross Income	(334,242,190)	-	-	-	-	-	-	-	-	(24,979,240)	(359,221,430)	7.47%	
Net Expenditure	(329,125,190)	-	-	-	-	-	-	-	-	(53,458,240)	(382,583,430)	16.24%		
General Fund	Net Expenditure	-	-	-	1,164,370	17,644,370	959,320	7,358,360	36,036,310	(9,704,490)	(53,458,240)	-	-	-

Housing Revenue Account MTFP and Business Plan

Appendix 12

1. HRA MTFP 2022-23 to 2025-26 & 30 Year Business Plan

	HRA MTFP 2022-23 to 2025-26				HRA 30 Year Business Plan					
	2021-22	2022-23	2023-24	2024-25	2025-26	2030-31	2035-36	2040-41	2045-46	2051-52
	Expected Outturn £000	Projection £000	Projection £000	Projection £000	Projection £000	Projection £'000	Projection £'000	Projection £'000	Projection £'000	Projection £'000
Income										
Dwelling Rents (including voids)	(29,696)	(30,665)	(31,696)	(32,864)	(34,525)	(39,466)	(44,674)	(50,540)	(57,142)	(66,155)
Non Dwelling Income	(2,899)	(2,934)	(2,963)	(2,993)	(3,023)	(3,177)	(3,339)	(3,509)	(3,689)	(3,915)
Interest on balances and investments	(10)	(6)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total Income	(32,605)	(33,605)	(34,660)	(35,858)	(37,549)	(42,644)	(48,014)	(54,050)	(60,832)	(70,071)
Expenditure										
Repairs and Maintenance	8,119	8,705	9,087	9,489	9,906	12,289	15,251	18,932	23,507	29,933
Supervision and Management	6,707	7,230	7,323	7,510	7,703	8,743	9,931	11,285	12,832	14,983
Rents, Rates, Taxes and Other Charges	3,356	3,345	3,446	3,549	3,655	4,238	4,913	5,695	6,602	7,883
Depreciation & Impairment of Fixed assets	9,600	9,715	10,038	10,243	10,536	10,802	11,075	11,354	11,641	11,995
Provision for the write off of bad debt	550	614	628	640	654	704	758	818	885	978
Capital Charges - Interest	3,567	3,581	3,635	3,799	4,019	4,019	4,011	4,007	4,059	4,066
Total Expenditure	31,899	33,190	34,157	35,230	36,473	40,795	45,939	52,091	59,526	69,838
Operating Surplus on HRA Services	(706)	(415)	(503)	(628)	(1,076)	(1,849)	(2,075)	(1,959)	(1,306)	(233)
HRA Reserve brought forward	(28,890)	(29,596)	(22,011)	(17,433)	(18,061)	(14,661)	(14,497)	(14,811)	(14,971)	(15,073)
Contribution to Capital Investment Reserve	-	8,000	5,081	-	2,500	2,000	2,000	2,000	1,000	500
HRA Reserve carried forward	(29,596)	(22,011)	(17,433)	(18,061)	(16,637)	(14,510)	(14,572)	(14,770)	(15,277)	(14,806)

2. HRA Capital Programme 2022-23 to 2025-26

	2022-23	2023-24	2024-25	2025-26	Total 2022-23 to 2025-26
	Projection	Projection	Projection	Projection	Projection
	£000	£000	£000	£000	£000
Affordable Housing Investment Programme	16,177	13,239	15,350	3,455	48,221
Major Repairs Programme	11,462	9,109	9,383	9,658	39,612
	27,639	22,348	24,733	13,113	87,833
Funded by:					
Contribution from Major Repairs Reserve	(11,462)	(9,109)	(9,383)	(9,658)	(39,612)
Contribution from Capital Investment Reserve	(10,271)	(5,139)	-	(2,500)	(17,910)
Contribution from Capital Receipts Reserve	(2,846)	(1,950)	(950)	(955)	(6,701)
Borrowing	-	(3,750)	(11,250)	-	(15,000)
External Funding / Homes England	(3,060)	(2,400)	(3,150)	-	(8,610)
	(27,639)	(22,348)	(24,733)	(13,113)	(87,833)

3. HRA Reserves

Major Repairs Reserve

	2022-23	2023-24	2024-25	2025-26
	Projection	Projection	Projection	Projection
	£000	£000	£000	£000
Balance brought forward	(7,561)	(5,814)	(6,743)	(7,603)
Depreciation	(9,715)	(10,038)	(10,243)	(10,536)
Major Repairs Capital Programme	11,462	9,109	9,383	9,658
Balance carried forward	(5,814)	(6,743)	(7,603)	(8,481)

Capital Investment Reserve

	2022-23	2023-24	2024-25	2025-26
	Projection	Projection	Projection	Projection
	£000	£000	£000	£000
Balance brought forward	(2,329)	(58)	-	-
Contribution from HRA	(8,000)	(5,081)	-	(2,500)
Contribution to Housing Investment Programme	10,271	5,139	-	2,500
Balance carried forward	(58)	-	-	-

Capital Receipts Reserve

	2022-23	2023-24	2024-25	2025-26
	Projection	Projection	Projection	Projection
	£000	£000	£000	£000
Balance brought forward	(3,101)	(1,155)	(105)	(55)
Capital Receipts - RTB Sales	(900)	(900)	(900)	(900)
Contribution to the Capital Programme	2,846	1,950	950	955
Balance carried forward	(1,155)	(105)	(55)	-

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CAPITAL STRATEGY 2022-23 TO 2025-26

1. BACKGROUND

1.1. Purpose and Aims of the Capital Strategy

The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made. The Capital Strategy should form a part of the authority's integrated revenue, capital and balance sheet planning.

The Council itself is also keen to ensure that its capital assets, and the resources tied up in them, are efficiently and effectively used. Accordingly, this Capital Strategy statement sets out the corporate aims and principles that underpin the production of the authority's Capital Programme.

Northumberland County Council's Capital Strategy will be reviewed on an annual basis to reflect the changing needs and priorities of the Council.

The Capital Strategy should be read in conjunction with the Capital Programme, Treasury Management Strategy Statement and Prudential Indicators detail in the Budget 2022-23 and Medium-Term Financial Plan 2022-26.

The Council's Capital Strategy aims to support delivery of the Council's priorities insofar as they can be achieved within available resources. Some of this can be achieved by the Council on its own but much can be delivered by working with others including neighbouring authorities in the North of Tyne Combined Authority, partner authorities in the Borderlands initiative, stakeholders in Northumberland's mixed economy of education providers, North East Local Enterprise Partnership (NELEP), Northumbria Healthcare NHS Foundation Trust, the Council's wholly-owned economic development company Advance Northumberland, Northumberland Enterprise Holdings Limited and local communities.

Key priorities for application of capital expenditure are:

- Delivering policy ambitions.
- Exercising financial prudence, maintaining the level of capital investment and outstanding debt that are sustainable within the Council's revenue expenditure programme.
- Investing in schemes which will reduce the Council's revenue costs; and,
- Being alert to opportunities to lever external resources in delivering corporate priorities.

The Council's policy priorities are detailed in the Corporate Plan and include issues where capital investment will be required.

The Council is under no illusion that improving education performance represents its single biggest challenge and is committed to equipping all school leavers with the right skills, and provide to them; and the wider workforce, the opportunity to grow and develop those skills. This will require leadership at all levels and throughout Northumberland's mixed economy of education providers.

The Council recognises that there is a need to increase the supply of both affordable and specialist supported housing, including extra care for older people. Northumberland's aspirations for an improved economy and its infrastructure go hand in hand, and the Capital Strategy aims to support the reopening of the Northumberland to Newcastle rail line in conjunction with partners in the North of Tyne Combined Authority to open up a new economic corridor unlocking commercial investment along its length. Northumberland is also continuing to press for further improvements to the A1 and A69 as well as investment in the Enterprise Zones in the county. The Council is exploring how it can best maintain the vibrancy of town centres and is keen to support progressive insertion of a full-fibre network and delivery of superfast broadband to all properties to ensure access to high-speed and reliable digital connectivity.

The Council is committed to investing in Northumberland's leisure and cultural assets and is willing to work with partners and communities in developing shared services and shared premises to support the retention of local meeting places such as community centres, village halls, post offices and public houses.

The County Council fully acknowledges that it has a significant role to play in maximising its contribution to the reduction of greenhouse gas emissions - both in reducing its own carbon footprint and in promoting and facilitating wider behaviour change through its local leadership.

It has committed to working with the Government to achieve carbon neutrality for the county of Northumberland by 2030.

In doing so, the Council's plans to accelerate and expand its programme of investment and behaviour change, with the target of having reduced its carbon footprint by 50% from the 2010 baseline by 2025.

The realisation of this target will require the Council to be at the forefront of testing and introducing new technologies and approaches.

1.2. The key objectives of Northumberland's Capital Strategy

The key objectives of the Capital Strategy are to deliver a Capital Programme that:

- Ensures the Council's capital assets are used to support the delivery of services according to the priorities within the Corporate Plan and the Council's vision.
- Is affordable, financially prudent and sustainable, and ensure that decisions are made with sufficient regard to the long-term financing implications and potential risks to the authority; and,
- Ensures the most cost-effective use is made of existing assets and new capital investment.

The resources employed to deliver the Capital Strategy are allocated through the budget process that sets the four-year rolling Capital Programme as part of the Medium-Term Financial Planning and annual budget setting processes.

1.3. The Council's Corporate Objectives and Priorities

The capital budgets within the Capital Strategy should support the key priorities laid out in the Council's Corporate Plan. Each capital proposal is required to clearly demonstrate that the project links to the Council's five overarching priorities.

- **[Living] Feel safe, healthy, and cared for:** We are committed to ensuring that all of you feel safe, valued, and part of your community.
- **[Enjoying] Love where you live:** We are committed to ensuring that all of you live in distinctive vibrant places, which you value and in which you feel proud.
- **[Connecting] Have access to the things you need:** We are committed to ensuring that all of you can easily get to work, to learning, and to the various facilities and services you want to use.
- **[Learning] Achieve and realise your potential:** We are committed to ensuring that all of you, regardless of your age, have the right qualifications and skills to secure a good job that pays well and provides the prospect of a rewarding career.
- **[Thriving] Attract more and better jobs:** We are committed to ensuring that our businesses are booming by doing everything in our power to create the right conditions for economic growth. We want to be recognised as a county that is open for business.

2. APPROACH TO INVESTMENT PRIORITISATION

2.1. The Capital Programme

The Capital Programme for 2022-23 to 2025-26 has been updated as part of the 2022-23 budget setting process and will be considered at full Council on 23 February 2022.

Identification and prioritisation of Capital Investment needs

The basis of the Capital Programme is driven by the budget and service planning process. The size of the Capital Programme is determined by:

- The need to incur capital expenditure.
- Capital resources available; and,
- The revenue implications flowing from the capital expenditure.

As part of the budget planning process, services will be required to submit capital proposals which are considered by Members for investment decisions. The capital investment appraisal process will focus on:

- policy and strategic fit;
- value for money, cost/benefit context;
- affordability and resources;
- options appraisal;
- risk assessment; and,
- capability and capacity within the Council to manage and deliver a project.

Capital investment proposals will be presented for approval on the standard Capital Project Bid Appraisal form that includes the following sections:

- description of the project;
- project outcomes and outputs;
- key dates and milestones;
- costs of the scheme and funding sources;
- revenue implications;
- risks associated with the project; and,
- information on the project's fit with the Council's strategic priorities; and implications of not proceeding.

2.2. Capital Projects Evaluation and Priority Scoring Matrix (PSM)

The Council has limited resources to meet the capital investment requirements of delivering quality services and contributing to its community leadership responsibilities. Elected Members ultimately determine the projects to be included within the Capital Programme but to assist the decision-making process the Council has introduced a priority-scoring matrix. This identifies a number of weighted criteria against which potential capital projects are evaluated and compared:

- The contribution the project makes to achieving the Council's strategic priorities and organisational objectives. (max 40 points)

- The impact of the project on the Council's revenue budgets either as additional running costs or as a means of reducing costs. (max 25 points)
- The project's ability to assist in the implementation of a wider programme of investment, such as the proportion of externally generated funding attracted by the project. (max 10 points)
- The status of the project in terms of its contribution to meeting specific statutory obligations or Government initiatives. (max 5 points)
- The project's ability to meet the requirements of the Council's Asset Management Plan. (max 15 points)
- The project's contribution to addressing Non-Statutory Health and Safety recommendations from the Health and Safety Officer and Fire Officer. (max 5 points)
- The degree of risk associated with the project; the potential for overspending, slippage, funding not materialising, etc. (max 5 points)
- The level of internal resources required by the project. (max 20 points)

2.3. Assessment of proposals and timetable

The Council's policy is to agree the rolling Capital Programme on an annual basis at the February Council budget setting meeting.

Capital proposals will be submitted to the Corporate Finance Team, in the autumn of each year, as part of the budget setting process. The bids will be assessed and evaluated by a panel of officers from the Council's Capital Strategy Group (CSG), based on information set out in the capital appraisal form and scoring matrix as described above, before being submitted to the Executive Team and then full Council for consideration and approval.

The timetable for capital proposals to be considered for inclusion within the approved capital programme is outlined below:

Date	Action
July – August	Services develop initial capital bids within Departmental Management Teams.
August - September	Bids submitted to Corporate Finance for review and assessment of available resources.
September - November	Officer Capital Strategy Group review, score and prioritise proposals using the Priority Scoring Matrix (PSM).
November	Executive Team considers the proposals and agrees a draft Capital Programme.

Date	Action
December	Corporate Finance Team finalises the draft Capital Programme and identifies all revenue implications.
January - February	Cabinet considers and recommends the final Capital Programme to Council.
February	Council approves the Capital Programme.

Inclusion in the Capital Programme is not approval to commence a project. A full business case is required to be submitted to Cabinet, via initial assessment by CSG and Executive Team, prior to a project proceeding and expenditure being incurred.

2.4. Invest to Save Capital Proposals

Service Departments are encouraged to consider innovation in service provision that can drive efficiency and deliver cashable savings. These are often referred to as invest to save projects. Invest to save bids will be considered on the same basis as other capital proposals and need to demonstrate what savings and benefits will be achieved as a result of the proposed initiative. However, because the benefits of these schemes should outweigh the costs, there is a greater likelihood of these projects being prioritised and included in the Capital Programme.

2.5. Loans to External Bodies or Organisations

The Council's Capital Programme also includes provision to provide loan facilities to external bodies or organisations for activities that are aligned to, and support, Council service objectives and / or corporate priorities. Examples may include, supporting economic growth and improving the health and wellbeing of local communities.

There are statutory regulations which govern the accounting treatment of loans provided towards expenditure which would, if incurred by the authority itself, be classified as capital expenditure.

Loans for these purposes will be subject to a financial appraisal and a series of due diligence checks and will only be provided if the Council is fully satisfied of the borrower's ability to meet their obligations. Wherever possible, the Council will aim to mitigate its risks and exposure to default by seeking appropriate additional security from the borrower. This may often be in the form of a legal charge over the borrower's property / assets.

The rate of interest charged on these facilities will be dependent on the nature and structure of the individual loan and the assessed risks to the Council. However, loans would usually only be provided on the basis that there is no net cost to the Council. Individual business cases presented to Cabinet will highlight the relevant risks and propose an appropriate rate of interest for the loan facility.

In addition, all loans will need to be State Aid compliant.

All loan applications are considered on a case-by-case basis and subject to a report to the Council's Risk Appraisal Panel, Corporate Services and Economic Growth Overview and Scrutiny Committee; and where a capital budget for this purpose has been approved, Cabinet will ultimately make the final decision. In instances where there is no prior budget approval the business case will be considered through the same route, but the final loan decision will be taken by Full Council.

The only exception to this is in respect of loans provided to Advance Northumberland, the Council's wholly owned economic development company, which is part of the Council's group structure. Approval of these facilities will be delegated to the Council's Loans Review panel which will comprise of the Cabinet Member for Corporate Services, the Section 151 Officer, the Deputy Section 151 Officer supported by the Treasury Management Finance Manager; subject to the budget provision set out in the Medium-Term Capital Plan.

The Medium-Term Capital Programme includes a provision of £63.672 million over the four years for loans to third parties.

2.6. Approvals outside of the normal budget setting process

Any additional capital requirements within the year, and outside of the above budget process, must in the first instance be submitted to the Council's Executive Management Team for consideration. If supported by the Executive Management Team, a report must be taken through the Council's democratic process and on to County Council for approval and inclusion in that year's programme.

3. FUNDING SOURCES AND INVESTMENT DECISIONS

The main sources of capital funding are summarised below:

3.1. Borrowing

The Council seeks to minimise the level of borrowing required to finance capital expenditure by maximising grants and contributions received and ensuring that any surplus assets are sold.

The Local Government Act 2003 enables local authorities to determine their programmes for capital investment and associated borrowing requirements, provided they have regard to the Prudential Code for Capital Finance in Local Authorities developed by CIPFA.

The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out a series of indicators – known as the Prudential Indicators - the Council must consider as a part of its budget setting process.

3.2. Capital Receipts

A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. Capital receipts are an important funding source for the Capital Programme.

The Council has a substantial property estate, mainly for operational service requirements and administrative buildings. This estate is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirements, and which may be disposed of.

Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs.

The actual realisation, timing and value of asset sales are important, as any in-year shortfalls need to be met from increased borrowing. As a result, progress on asset disposal is closely monitored by Property Services.

The Council's policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. This means that individual services are not reliant on their ability to generate capital receipts. The only exception to this is the Housing Revenue Account (HRA), where the Council's current practice is to ring-fence HRA derived proceeds for re-investment in HRA projects.

3.3. Revenue Funding

Capital expenditure may be funded directly from revenue. For example, funds are sometimes earmarked from individual schools' revenue budgets to supplement the capital resources allocated to school improvement and expansion projects.

However, pressures on the Council's revenue budget and Council Tax levels limit the extent to which this may, generally, be exercised as a source of capital funding.

3.4. Grant Funding and External Contributions

Grants are allocated in relation to specific programmes or projects and the Council will endeavour to maximise grant allocations, developing appropriate projects and programmes which reflect government and partnership led initiatives, but address priority needs in the County.

The majority of "planned" capital expenditure for maintenance of transport infrastructure, school buildings and provision of Disabled Facilities are provided by appropriate grants.

Contributions will also continue to be sought from developers towards the provision of public or private assets or facilities. This will include agreements with developers to mitigate the impact of their development on communities (known as Section 106

agreements) as well as contributions towards Highways Infrastructure requirements associated with developments (known as Section 38 and 278 agreements).

The Council will continue to work with the other organisations to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. It will also continue to work with other public agencies to consider projects that are to the mutual benefit of all parties.

3.5. Consideration of Capital proposals attracting specific funding

Schemes attracting partial external funding will be assessed in the same way as those schemes which require 100.00% of funding from borrowing and will only be included within the Capital Programme if they meet the Council's needs, objectives and priorities. Schemes attracting 100.00% external funding would normally be included automatically within the Capital Programme; subject to confirmation of the external funding, confirmation that the projects fit with Council priorities and consideration of any associated revenue implications. A capital bid appraisal form still needs to be completed for these proposals. New schemes in year which attract 100.00% external funding will require approval by Cabinet before they are included within the Capital Programme.

4. REVENUE IMPLICATIONS - LINKS TO THE MEDIUM-TERM FINANCIAL PLAN (MTFP), TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS

The impact of the revenue implications is a significant factor in determining approval of projects. All capital investment decisions consider the revenue implications both in terms of servicing the finance and the running costs of the new assets.

The use and financing of capital resources has been fully considered in the production of the Council's Annual Budget and Medium-Term Financial Plan and are reflected in both the Treasury Management Strategy Statement for 2022-23 and Prudential Indicators for 2022-23 to 2025-26.

5. MONITORING OF THE CAPITAL PROGRAMME DELIVERY

Officers monitor progress of the Capital Programme monthly with reports being submitted to Cabinet on a quarterly basis.

All processes and procedures relating to the monitoring of the Capital Programme are set out in the Council's Financial Regulations. The following are key controls:

- All capital expenditure must be carried out in accordance with contract procedure rules and financial regulations.
- The expenditure must comply with the statutory definition of "capital purposes" as interpreted in guidance issued by the Section 151 Officer.
- Once the scheme has been included in the Capital Programme following the budget setting process, a further report providing more detail and seeking

specific approval must be submitted to Capital Strategy Group unless delegated approval applies; and,

- Officers must ensure that the budget for each capital project is under the control of a nominated project manager.

6. STEWARDSHIP OF ASSETS

The Council's Asset Management Plan sets out the condition of its assets and the arrangements for managing these effectively.

7. OVERVIEW OF THE CAPITAL PROGRAMME

Capital Expenditure	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Adult Services	2.355	8.192	4.000	2.000	2.000
Business & Community Development	-	0.132	-	-	-
Children's Social Care	0.146	1.937	-	-	-
Economy and Regeneration	29.203	129.369	88.995	22.133	37.562
Finance	31.685	30.136	14.536	11.000	11.000
Fire and Rescue Service	2.159	1.999	1.182	1.170	1.237
Housing - GF	1.960	0.802	-	-	-
Housing - HRA	14.190	27.639	22.348	24.733	13.113
IT	8.319	2.660	0.750	0.600	0.850
Leisure Services	15.440	15.447	-	-	-
Neighbourhood Services	7.437	6.496	3.452	7.850	-
Property Services	6.720	6.935	10.230	9.609	-
Renewable Energy	5.026	11.551	2.000	-	-
Schools	29.011	22.602	47.732	63.275	6.733
Technical Services / Local Services	54.510	41.460	38.963	24.831	24.831
Total Capital Expenditure	208.161	307.357	234.188	167.201	97.326

The table below summarises how the above capital expenditure is being financed by capital or revenue resources.

Capital Funding	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Capital Receipts	7.523	4.716	3.650	2.650	2.655
External Grants	79.430	150.488	102.582	36.376	44.605
GF Borrowing	109.076	126.983	109.203	94.466	34.711
GF Contributions	1.300	3.437	0.755	13.076	3.197
HRA Borrowing	-	-	3.750	11.250	-
HRA Contributions	10.832	21.733	14.248	9.383	12.158
Total Capital Funding	208.161	307.357	234.188	167.201	97.326

CAPITAL PROGRAMME 2022-23 to 2025-26 (Summary)

	2022-2023	2023-2024	2024-2025	2025-2026 TOTAL BUDGET	
	£	£	£	£	£
EXPENDITURE					
Adult Services	8,191,526	4,000,000	2,000,000	2,000,000	16,191,526
Business and Community Development	132,000	-	-	-	132,000
Children's Social Care	1,937,353	-	-	-	1,937,353
Economy and Regeneration	129,368,831	88,995,570	22,133,445	37,562,250	278,060,096
Finance	30,136,077	14,536,000	11,000,000	11,000,000	66,672,077
Fire and Rescue	1,998,808	1,181,500	1,169,580	1,236,700	5,586,588
Housing - GF	801,781	-	-	-	801,781
Housing - HRA	27,639,000	22,348,000	24,733,000	13,113,000	87,833,000
IT	2,660,000	750,000	600,000	850,000	4,860,000
Leisure Services	15,447,000	-	-	-	15,447,000
Neighbourhood Services	6,496,096	3,452,000	7,850,000	-	17,798,096
Property Services	6,935,102	10,229,657	9,608,939	-	26,773,698
Renewable Energy	11,551,164	2,000,000	-	-	13,551,164
Schools	22,602,389	47,732,029	63,274,766	6,733,258	140,342,442
Technical Services	41,459,464	38,963,038	24,831,000	24,831,000	130,084,502
TOTAL PROGRAMME	307,356,591	234,187,794	167,200,730	97,326,208	806,071,323
FUNDING					
External Grants	150,488,229	102,582,223	36,376,181	44,604,936	334,051,569
Capital Receipts	4,716,000	3,650,000	2,650,000	2,655,000	13,671,000
GF Revenue Contributions (RCCO)	3,437,000	755,000	13,075,573	3,196,630	20,464,203
HRA Contributions (MRR &RCCO)	21,733,000	14,248,000	9,383,000	12,158,000	57,522,000
HRA Borrowing	-	3,750,000	11,250,000	-	15,000,000
GF Borrowing (Balance)	126,982,362	109,202,571	94,465,976	34,711,642	365,362,551
TOTAL FUNDING	307,356,591	234,187,794	167,200,730	97,326,208	806,071,323

CAPITAL PROGRAMME 2022-23 to 2025-26 (Details)

Project Title	2022-2023 BUDGET			2023-2024 BUDGET			2024-2025 BUDGET			2025-2026 BUDGET			TOTAL BUDGET (4 Yrs)		
	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £
Adult Services															
Community Capacity Grant	910,510	910,510	-	-	-	-	-	-	-	-	-	-	910,510	910,510	-
Disabled Facilities Grant	4,862,766	4,862,766	-	2,000,000	2,000,000	-	2,000,000	2,000,000	-	2,000,000	2,000,000	-	10,862,766	10,862,766	-
Person Centred Care Information System (SWIFT Replacement)	225,000	-	225,000	-	-	-	-	-	-	-	-	-	225,000	-	225,000
Supported Housing	1,820,000	-	1,820,000	2,000,000	-	2,000,000	-	-	-	-	-	-	3,820,000	-	3,820,000
Tynedale House Fire Doors	373,250	373,250	-	-	-	-	-	-	-	-	-	-	373,250	373,250	-
Adult Services Sub Total	8,191,526	6,146,526	2,045,000	4,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-	2,000,000	2,000,000	-	16,191,526	12,146,526	4,045,000
Business and Community Development															
Multi Use Vehicles	132,000	-	132,000	-	-	-	-	-	-	-	-	-	132,000	-	132,000
Business and Community Development Sub Total	132,000	-	132,000	-	-	-	-	-	-	-	-	-	132,000	-	132,000
Children's Social Care															
Children's Homes Provision (3 no. 4-Bed)	1,937,353	-	1,937,353	-	-	-	-	-	-	-	-	-	1,937,353	-	1,937,353
Children's Social Care Sub Total	1,937,353	-	1,937,353	-	-	-	-	-	-	-	-	-	1,937,353	-	1,937,353
Economy and Regeneration															
Ashington North East Quarter Re-development Phase 2	2,435,802	-	2,435,802	-	-	-	-	-	-	-	-	-	2,435,802	-	2,435,802
Bedlington Town Centre Redevelopment Phase 1 & 2	2,128,490	-	2,128,490	-	-	-	-	-	-	-	-	-	2,128,490	-	2,128,490
Energy Saving Blyth Future High Street Fund (FHSF)	7,969,183	4,989,987	2,979,196	17,371,518	6,131,074	11,240,444	-	-	-	-	-	-	25,340,701	11,121,061	14,219,640
Energy Saving Blyth Northern Gateway Phase 1 Town Deal 2020-21	1,699,740	-	1,699,740	-	-	-	-	-	-	-	-	-	1,699,740	-	1,699,740
Energy Saving Blyth Town Deal 2022-2026	10,142,352	9,313,836	828,516	12,587,557	8,471,589	4,115,968	12,398,445	5,690,181	6,708,264	15,885,260	5,467,733	10,417,527	51,013,614	28,943,339	22,070,275
Blyth Relief Road	598,000	508,000	90,000	538,000	457,000	81,000	2,247,000	1,910,000	337,000	14,547,000	12,365,000	2,182,000	17,930,000	15,240,000	2,690,000
Borderlands - Ad Gefrin Distillery and Vistor Centre	900,000	300,000	600,000	-	-	-	-	-	-	-	-	-	900,000	300,000	600,000
Borderlands - Berwick Maltings	569,000	-	569,000	851,000	-	851,000	238,000	-	238,000	-	-	-	1,658,000	-	1,658,000
Borderlands - Carlisle Station	2,600,180	2,600,180	-	3,987,000	3,987,000	-	-	-	-	1,000,000	1,000,000	-	7,587,180	7,587,180	-
Borderlands - Lillidorei	2,500,000	2,500,000	-	500,000	500,000	-	-	-	-	-	-	-	3,000,000	3,000,000	-
Broadband Phase 2 Gainshare Extension	726,325	-	726,325	-	-	-	-	-	-	-	-	-	726,325	-	726,325
Community Broadband	1,699,636	-	1,699,636	-	-	-	-	-	-	-	-	-	1,699,636	-	1,699,636
Hexham HAZ	731,160	451,587	279,573	710,495	285,705	424,790	-	-	-	-	-	-	1,441,655	737,292	704,363
Hexham Town Centre Redevelopment	500,000	-	500,000	2,500,000	-	2,500,000	2,000,000	-	2,000,000	-	-	-	5,000,000	-	5,000,000
Local Cycling and Walking Infrastructure	1,500,000	-	1,500,000	1,000,000	-	1,000,000	-	-	-	-	-	-	2,500,000	-	2,500,000
Newcastle Northumberland Rail Line	88,050,963	71,466,275	16,584,688	43,000,000	34,637,000	8,363,000	1,000,000	-	1,000,000	-	-	-	132,050,963	106,103,275	25,947,688
Rural Business Growth	1,618,000	1,618,000	-	-	-	-	-	-	-	-	-	-	1,618,000	1,618,000	-
Strategic Regeneration Projects	2,000,000	-	2,000,000	1,700,000	-	1,700,000	2,000,000	-	2,000,000	4,379,990	-	4,379,990	10,079,990	-	10,079,990
Strategic Regeneration Projects - Blyth Town Deal	-	-	-	1,000,000	-	1,000,000	-	-	-	-	-	-	1,000,000	-	1,000,000
Strategic Regeneration Projects - Place Programme	500,000	-	500,000	1,000,000	-	1,000,000	1,000,000	-	1,000,000	750,000	-	750,000	3,250,000	-	3,250,000
Strategic Regeneration Projects - Hadrian's Wall Programme	500,000	-	500,000	750,000	-	750,000	750,000	-	750,000	500,000	-	500,000	2,500,000	-	2,500,000
Strategic Regeneration Projects - Business Programme	-	-	-	1,000,000	-	1,000,000	-	-	-	-	-	-	1,000,000	-	1,000,000
Strategic Regeneration Projects - Energy Programme	-	-	-	500,000	-	500,000	500,000	-	500,000	500,000	-	500,000	1,500,000	-	1,500,000
Economy and Regeneration Sub Total	129,368,831	93,747,865	35,620,966	88,995,570	54,469,368	34,526,202	22,133,445	7,600,181	14,533,264	37,562,250	18,832,733	18,729,517	278,060,096	174,650,147	103,409,949
Finance															
Loan to NELEP - Ashwood	903,850	-	903,850	-	-	-	-	-	-	-	-	-	903,850	-	903,850
Loan to NELEP - Fairmoor, Morpeth	2,000,000	-	2,000,000	3,536,000	-	3,536,000	-	-	-	-	-	-	5,536,000	-	5,536,000
Loan to NELEP - Ramparts Business Park, Berwick	800,000	-	800,000	-	-	-	-	-	-	-	-	-	800,000	-	800,000
Loans to Third Parties (e.g. Advance Northumberland, Other Organisations)	23,432,227	-	23,432,227	11,000,000	-	11,000,000	11,000,000	-	11,000,000	11,000,000	-	11,000,000	56,432,227	-	56,432,227
Portland Park - Grant to Advance Northumberland	3,000,000	-	3,000,000	-	-	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Finance Sub Total	30,136,077	-	30,136,077	14,536,000	-	14,536,000	11,000,000	-	11,000,000	11,000,000	-	11,000,000	66,672,077	-	66,672,077

CAPITAL PROGRAMME 2022-23 to 2025-26 (Details)

Project Title	2022-2023 BUDGET			2023-2024 BUDGET			2024-2025 BUDGET			2025-2026 BUDGET			TOTAL BUDGET (4 Yrs)		
	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £
Fire and Rescue															
FRS Berwick Fire Station Health & Safety Works	500,000	-	500,000	-	-	-	-	-	-	-	-	-	500,000	-	500,000
FRS Drones	10,000	-	10,000	-	-	-	-	-	-	-	-	-	10,000	-	10,000
FRS Fire Control and Communications Equipment	100,000	-	100,000	-	-	-	-	-	-	-	-	-	100,000	-	100,000
FRS Fleet Requirement	1,245,208	-	1,245,208	1,047,000	-	1,047,000	836,000	-	836,000	1,007,000	-	1,007,000	4,135,208	-	4,135,208
FRS Risk Critical Equipment	143,600	-	143,600	134,500	-	134,500	333,580	-	333,580	229,700	-	229,700	841,380	-	841,380
Fire and Rescue Sub Total	1,998,808	-	1,998,808	1,181,500	-	1,181,500	1,169,580	-	1,169,580	1,236,700	-	1,236,700	5,586,588	-	5,586,588
Housing - GF															
Community Housing Fund	801,781	801,781	-	-	-	-	-	-	-	-	-	-	801,781	801,781	-
Housing - GF Sub Total	801,781	801,781	-	-	-	-	-	-	-	-	-	-	801,781	801,781	-
Housing - HRA															
HRA Miscellaneous / Other	71,000	-	71,000	75,000	-	75,000	75,000	-	75,000	75,000	-	75,000	296,000	-	296,000
HRA Energy Efficiency	1,000,000	-	1,000,000	500,000	-	500,000	-	-	-	-	-	-	1,500,000	-	1,500,000
Chronically Sick and Disabled Persons Grants	691,000	-	691,000	697,000	-	697,000	702,000	-	702,000	708,000	-	708,000	2,798,000	-	2,798,000
Homes England Grant Recovery (re RTB)	75,000	-	75,000	75,000	-	75,000	75,000	-	75,000	75,000	-	75,000	300,000	-	300,000
Affordable Homes	15,031,000	3,060,000	11,971,000	12,589,000	2,400,000	10,189,000	15,200,000	3,150,000	12,050,000	3,305,000	-	3,305,000	46,125,000	8,610,000	37,515,000
Major Repairs Reserve	10,771,000	-	10,771,000	8,412,000	-	8,412,000	8,681,000	-	8,681,000	8,950,000	-	8,950,000	36,814,000	-	36,814,000
Housing - HRA Sub Total	27,639,000	3,060,000	24,579,000	22,348,000	2,400,000	19,948,000	24,733,000	3,150,000	21,583,000	13,113,000	-	13,113,000	87,833,000	8,610,000	79,223,000
IT															
Air Conditioning	200,000	-	200,000	-	-	-	-	-	-	-	-	-	200,000	-	200,000
Call One / Saas	30,000	-	30,000	-	-	-	-	-	-	-	-	-	30,000	-	30,000
CIS Infrastructure	800,000	-	800,000	400,000	-	400,000	100,000	-	100,000	100,000	-	100,000	1,400,000	-	1,400,000
Cloud Migration	250,000	-	250,000	100,000	-	100,000	-	-	-	-	-	-	350,000	-	350,000
Desk Top Refresh	250,000	-	250,000	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Desktop Refresh - Phase 2	-	-	-	250,000	-	250,000	500,000	-	500,000	750,000	-	750,000	1,500,000	-	1,500,000
Hardware Infrastructure	130,000	-	130,000	-	-	-	-	-	-	-	-	-	130,000	-	130,000
IT Back-up and Recovery	100,000	-	100,000	-	-	-	-	-	-	-	-	-	100,000	-	100,000
Server Infrastructure	500,000	-	500,000	-	-	-	-	-	-	-	-	-	500,000	-	500,000
Telephony	400,000	-	400,000	-	-	-	-	-	-	-	-	-	400,000	-	400,000
IT Sub Total	2,660,000	-	2,660,000	750,000	-	750,000	600,000	-	600,000	850,000	-	850,000	4,860,000	-	4,860,000
Leisure Services															
Berwick Swan Leisure Centre	3,347,000	-	3,347,000	-	-	-	-	-	-	-	-	-	3,347,000	-	3,347,000
Newbiggin Sports Centre	1,100,000	-	1,100,000	-	-	-	-	-	-	-	-	-	1,100,000	-	1,100,000
Provision of Leisure Facilities in Morpeth	11,000,000	-	11,000,000	-	-	-	-	-	-	-	-	-	11,000,000	-	11,000,000
Leisure Services Sub Total	15,447,000	-	15,447,000	-	-	-	-	-	-	-	-	-	15,447,000	-	15,447,000
Neighbourhood Services															
Fleet Replacement Programme	6,033,096	-	6,033,096	3,302,000	-	3,302,000	7,850,000	-	7,850,000	-	-	-	17,185,096	-	17,185,096
Food Waste Collection Pilot	43,000	-	43,000	-	-	-	-	-	-	-	-	-	43,000	-	43,000
Hirst Area Containerisation of Waste	200,000	-	200,000	-	-	-	-	-	-	-	-	-	200,000	-	200,000
Parks - Parks Enhancement Programme	220,000	-	220,000	150,000	-	150,000	-	-	-	-	-	-	370,000	-	370,000
Neighbourhood Services Sub Total	6,496,096	-	6,496,096	3,452,000	-	3,452,000	7,850,000	-	7,850,000	-	-	-	17,798,096	-	17,798,096
Property Services															
Alnwick Lindisfarne Site	385,990	-	385,990	-	-	-	-	-	-	-	-	-	385,990	-	385,990
Choppington Mineral Rights	300,000	-	300,000	-	-	-	-	-	-	-	-	-	300,000	-	300,000
County Hall Refurbishment	1,900,000	-	1,900,000	2,000,000	-	2,000,000	1,100,000	-	1,100,000	-	-	-	5,000,000	-	5,000,000

CAPITAL PROGRAMME 2022-23 to 2025-26 (Details)

Project Title	2022-2023 BUDGET			2023-2024 BUDGET			2024-2025 BUDGET			2025-2026 BUDGET			TOTAL BUDGET (4 Yrs)		
	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £
County Hall Solar PV	-	-	-	-	-	-	98,939	-	98,939	-	-	-	98,939	-	98,939
Cowley Road Depot Refurb & Car Park	-	-	-	1,599,657	-	1,599,657	-	-	-	-	-	-	1,599,657	-	1,599,657
Depot Rationalisation	-	-	-	3,380,000	-	3,380,000	4,500,000	-	4,500,000	-	-	-	7,880,000	-	7,880,000
Hexham Tyne Mills Depot Health & Safety Works	500,000	-	500,000	-	-	-	-	-	-	-	-	-	500,000	-	500,000
Leisure Buildings - Essential Remedial	1,000,000	-	1,000,000	1,000,000	-	1,000,000	1,000,000	-	1,000,000	-	-	-	3,000,000	-	3,000,000
Leisure Buildings - Essential Remedial - Concordia Air Handling Units	249,112	-	249,112	300,000	-	300,000	-	-	-	-	-	-	549,112	-	549,112
Leisure Buildings - Essential Remedial - Newbiggin Roof	250,000	-	250,000	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Leisure Buildings - Essential Remedial - Prudhoe Waterworld Wet Change	-	-	-	-	-	-	160,000	-	160,000	-	-	-	160,000	-	160,000
Property Stewardship Fund - Astley Park Depot	200,000	-	200,000	-	-	-	-	-	-	-	-	-	200,000	-	200,000
Property Stewardship Fund - Backlog M&E and Fabric	1,000,000	-	1,000,000	1,000,000	-	1,000,000	1,900,000	-	1,900,000	-	-	-	3,900,000	-	3,900,000
Property Stewardship Fund - Bearl Depot Drainage and New Build	540,000	-	540,000	-	-	-	-	-	-	-	-	-	540,000	-	540,000
Property Stewardship Fund - Cowley Road Depot Internal Refurbishment	-	-	-	-	-	-	400,000	-	400,000	-	-	-	400,000	-	400,000
Property Stewardship Fund - Powburn Depot Roof	60,000	-	60,000	-	-	-	-	-	-	-	-	-	60,000	-	60,000
Property Stewardship Fund - Public Toilet Refurbishment	450,000	-	450,000	450,000	-	450,000	450,000	-	450,000	-	-	-	1,350,000	-	1,350,000
Property Stewardship Fund - Woodhorn Heapstead	-	-	-	500,000	-	500,000	-	-	-	-	-	-	500,000	-	500,000
Property Stewardship Fund - Woodhorn Walker Fan Building	100,000	-	100,000	-	-	-	-	-	-	-	-	-	100,000	-	100,000
Property Services Sub Total	6,935,102	-	6,935,102	10,229,657	-	10,229,657	9,608,939	-	9,608,939	-	-	-	26,773,698	-	26,773,698
Renewable Energy															
County Hall Solar Car Port	3,156,940	1,375,560	1,781,380	-	-	-	-	-	-	-	-	-	3,156,940	1,375,560	1,781,380
Climate Change Capital Fund	2,603,666	-	2,603,666	2,000,000	-	2,000,000	-	-	-	-	-	-	4,603,666	-	4,603,666
Sustainable Warmth Competition – Local Authority Delivery Phase 3(LAD3)	2,116,541	2,116,541	-	-	-	-	-	-	-	-	-	-	2,116,541	2,116,541	-
Sustainable Warmth Competition – Home Upgrade Grant Phase 1(HUG1)	3,509,866	3,509,866	-	-	-	-	-	-	-	-	-	-	3,509,866	3,509,866	-
Solar PV - Committed Projects	84,000	-	84,000	-	-	-	-	-	-	-	-	-	84,000	-	84,000
Waste Transfer Sites - Energy Projects	80,151	-	80,151	-	-	-	-	-	-	-	-	-	80,151	-	80,151
Renewable Energy Sub Total	11,551,164	7,001,967	4,549,197	2,000,000	-	2,000,000	-	-	-	-	-	-	13,551,164	7,001,967	6,549,197
Schools															
Basic Need - Other	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000	-
Blyth Free School Contribution (SEN)	1,057,675	-	1,057,675	-	-	-	-	-	-	-	-	-	1,057,675	-	1,057,675
Choppington Primary Artificial Pitch	205,000	105,000	100,000	-	-	-	-	-	-	-	-	-	205,000	105,000	100,000
Devolved Formula Capital	500,000	500,000	-	-	-	-	-	-	-	-	-	-	500,000	500,000	-
Hexham New Build Schools (Hexham QE Site)	11,000	-	11,000	-	-	-	-	-	-	-	-	-	11,000	-	11,000
New Hartley First School (Classroom)	22,820	-	22,820	-	-	-	-	-	-	-	-	-	22,820	-	22,820
Mobile Classroom Replacement Programme	2,916,856	2,916,856	-	-	-	-	-	-	-	-	-	-	2,916,856	2,916,856	-
SCIP - Remedials / General Programme	7,500,000	7,500,000	-	3,000,000	3,000,000	-	-	-	-	-	-	-	10,500,000	10,500,000	-
Schools Redevelopment	1,555,343	-	1,555,343	34,732,029	9,000,000	25,732,029	63,274,766	-	63,274,766	6,733,258	146,203	6,587,055	106,295,396	9,146,203	97,149,193
Special Needs Schools	6,693,625	751,300	5,942,325	10,000,000	-	10,000,000	-	-	-	-	-	-	16,693,625	751,300	15,942,325
Whittingham Primary School (Classroom)	140,070	120,070	20,000	-	-	-	-	-	-	-	-	-	140,070	120,070	20,000
Schools Sub Total	22,602,389	13,893,226	8,709,163	47,732,029	12,000,000	35,732,029	63,274,766	-	63,274,766	6,733,258	146,203	6,587,055	140,342,442	26,039,429	114,303,013
Technical Services															
Challenge Fund - Steel Bridges	454,000	-	454,000	-	-	-	-	-	-	-	-	-	454,000	-	454,000
CP - Alnwick Duchess Site Car Park	20,000	-	20,000	934,930	-	934,930	-	-	-	-	-	-	954,930	-	954,930
CP - Amble Car Park	606,295	-	606,295	-	-	-	-	-	-	-	-	-	606,295	-	606,295
CP - Car Parks General	1,096,846	-	1,096,846	-	-	-	-	-	-	-	-	-	1,096,846	-	1,096,846
CP - Goosehill Morpeth Car Park	1,043,663	-	1,043,663	-	-	-	-	-	-	-	-	-	1,043,663	-	1,043,663
CP - Hexham (Bunker Site) Car Park	440,000	-	440,000	-	-	-	-	-	-	-	-	-	440,000	-	440,000

CAPITAL PROGRAMME 2022-23 to 2025-26 (Details)

Project Title	2022-2023 BUDGET			2023-2024 BUDGET			2024-2025 BUDGET			2025-2026 BUDGET			TOTAL BUDGET (4 Yrs)		
	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	Gross Budget £	External Funding £	NCC Funding £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £	GROSS BUDGET £	EXTERNAL FUNDING £	NCC FUNDING £
CP - Morpeth Station	5,293	-	5,293	-	-	-	-	-	-	-	-	-	5,293	-	5,293
CP - Newbiggin Car Park	67,670	-	67,670	-	-	-	-	-	-	-	-	-	67,670	-	67,670
Electric Vehicle Charger Installation	400,000	200,000	200,000	400,000	200,000	200,000	400,000	200,000	200,000	400,000	200,000	200,000	1,600,000	800,000	800,000
FCERM - Alnwick	427,000	410,000	17,000	490,000	410,000	80,000	-	-	-	-	-	-	917,000	820,000	97,000
FCERM - Beadnell	215,000	215,000	-	1,573,855	1,443,855	130,000	-	-	-	-	-	-	1,788,855	1,658,855	130,000
FCERM - Berwick	239,550	224,000	15,550	516,000	485,000	31,000	-	-	-	-	-	-	755,550	709,000	46,550
FCERM - Briar Dene Surface Water	93,000	93,000	-	-	-	-	-	-	-	-	-	-	93,000	93,000	-
FCERM - Haydon Bridge	117,000	117,000	-	506,000	406,000	100,000	-	-	-	-	-	-	623,000	523,000	100,000
FCERM - Loansdean	45,000	45,000	-	-	-	-	-	-	-	-	-	-	45,000	45,000	-
FCERM - Lynemouth Bay Landfill Encapsulation	2,935,350	-	2,935,350	3,594,253	2,500,000	1,094,253	-	-	-	-	-	-	6,529,603	2,500,000	4,029,603
FCERM - Ovingham Surface Water	207,768	147,768	60,000	-	-	-	-	-	-	-	-	-	207,768	147,768	60,000
FCERM - Seaton Delaval	75,000	75,000	-	-	-	-	-	-	-	-	-	-	75,000	75,000	-
FCERM - Stocksfield & Riding Mill	261,000	236,000	25,000	367,000	292,000	75,000	-	-	-	-	-	-	628,000	528,000	100,000
FCERM - Kirkwell Cottages	140,000	140,000	-	-	-	-	-	-	-	-	-	-	140,000	140,000	-
FCERM - Meggie's Burn	-	-	-	50,000	50,000	-	-	-	-	-	-	-	50,000	50,000	-
FCERM - Fenwicks Close	127,000	127,000	-	-	-	-	-	-	-	-	-	-	127,000	127,000	-
FCERM - Cresswell Coastal Management	-	-	-	500,000	500,000	-	-	-	-	-	-	-	500,000	500,000	-
FCERM - Hepscott FAS	200,000	100,000	100,000	-	-	-	-	-	-	-	-	-	200,000	100,000	100,000
FCERM - Pilgrims Way SW	46,000	46,000	-	-	-	-	-	-	-	-	-	-	46,000	46,000	-
FCERM - Stannington Surface Water	40,000	40,000	-	-	-	-	-	-	-	-	-	-	40,000	40,000	-
FCERM - Wylam SW	130,000	130,000	-	-	-	-	-	-	-	-	-	-	130,000	130,000	-
Highways Laboratory Expansion	320,000	-	320,000	295,000	-	295,000	-	-	-	-	-	-	615,000	-	615,000
Highway Maintenance Investment in U and C roads and Footways	2,225,000	-	2,225,000	-	-	-	-	-	-	-	-	-	2,225,000	-	2,225,000
LTP - Local Transport Plan	21,413,000	21,413,000	-	23,563,000	23,563,000	-	23,426,000	23,426,000	-	23,426,000	23,426,000	-	91,828,000	91,828,000	-
Mercury Local Improvement Schemes	1,510,000	-	1,510,000	1,005,000	-	1,005,000	1,005,000	-	1,005,000	1,005,000	-	1,005,000	4,525,000	-	4,525,000
Salt Barns	719,511	-	719,511	510,000	-	510,000	-	-	-	-	-	-	1,229,511	-	1,229,511
Street Lighting Replacement and Modernisation	484,718	-	484,718	-	-	-	-	-	-	-	-	-	484,718	-	484,718
Todstead Landslip	4,658,000	1,863,000	2,795,000	4,658,000	1,863,000	2,795,000	-	-	-	-	-	-	9,316,000	3,726,000	5,590,000
Union Chain Bridge	296,800	215,096	81,704	-	-	-	-	-	-	-	-	-	296,800	215,096	81,704
Winter Services Weather Stations	400,000	-	400,000	-	-	-	-	-	-	-	-	-	400,000	-	400,000
Technical Services Sub Total	41,459,464	25,836,864	15,622,600	38,963,038	31,712,855	7,250,183	24,831,000	23,626,000	1,205,000	24,831,000	23,626,000	1,205,000	130,084,502	104,801,719	25,282,783
TOTAL	307,356,591	150,488,229	156,868,362	234,187,794	102,582,223	131,605,571	167,200,730	36,376,181	130,824,549	97,326,208	44,604,936	52,721,272	806,071,323	334,051,569	472,019,754

Project	£m Description
Disabled Facilities Grant	2.000 Inclusion of anticipated grant funding and budget requirements for 2025-26.
Multi Use Vehicles	0.132 New budget allocation. The vehicles will provide enhanced mobility and availability of the 'pop-up' style of activity successfully delivered over 2020 by members of the Northumberland Communities Together (NCT) team. The vehicles will also pick up the mobile library service to outreach communities, creating an integrated and efficient delivery model.
Energising Blyth	23.502 Revision to external funding provisions for this existing project. The scheme aims to deliver a transformational programme of intervention to support the growth and renewal of Blyth.
Newcastle Northumberland Rail Line	8.000 The revision reflects the anticipated budget required for the inclusion of a rail bridge at Newsham, Blyth.
Rural Business Growth	1.618 A new ERDF grant funded project, as approved by Cabinet in June 2021, for the provision of grants to businesses for growth and expansion.
Strategic Regeneration Projects	5.699 The Strategic Regeneration Projects budget is provided to enable the delivery of economic regeneration projects. The increased provision is to cover the anticipated Council funding required to support and facilitate land assembly for future regeneration initiatives and inward investment opportunities.
Loan to NELEP - Ashwood	0.904 The revision reflects the additional borrowing costs for the development of EZ site for commercial use to support new premises for industrial occupiers including high value manufacturing organisations and job creation.
Loans to Third Parties	22.000 New allocation for 2024-25 and 2025-26 for loans to third parties, including those to Advance Northumberland.
FRS Berwick Fire Station	0.500 New budget to address Health and Safety issues at Berwick Fire Station.
FRS Drones	0.010 New budget to introduce a drone capability within NFRS to enhance the services ability to support a number of operational incident responses – i.e. wildfire assessment, missing person search, large structure fires, hazardous material incident assessment, casualty search, fire investigation etc.
FRS Fire Control and Communications Equipment	0.100 A new provision. The NFRS Fire Control mobilising system will require a number of upgrades over the next 8 years. These will be required to accommodate changes to the way in which emergency services communicate nationally and also to refresh and renew equipment which is reaching the end of its life in terms of both functionality and reliability. There will be a requirement to upgrade the system before the end of 2022 to accommodate upgrades to the Airwaves communications system, which central government has confirmed it will not fund.
FRS Fleet Requirement	2.340 Increase in existing budget provision to cover fleet requirements to 2025-26
FRS Risk Critical Equipment	0.835 Revised budget provision to ensure that the specialist equipment and personal protective equipment (PPE) utilised by firefighters is both operationally functional and reliable and provides the best value available.
HRA Miscellaneous / Other	0.296 Increased budget to accommodate costs arising from right to buy properties.
HRA Energy Efficiency	1.500 A new HRA funded project for energy efficiency improvements in the Council's housing stock.
Chronically Sick and Disabled Persons Grants	1.158 Updated (HRA funded) budget requirements, including the anticipated provision for 2025-26.
Homes England Grant Recovery (re RTB)	0.075 Revised budget provision to allow for potential repayment of grant for right to buy properties
Affordable Homes	0.668 Revised budget requirement to align with anticipated programme.
Major Repairs Reserve	6.998 The revision reflects the updated HRA expenditure estimates and inclusion of anticipated budget requirement for 2025-26
Capita One / Saas	0.030 New budget for the migration of the internally hosted Capita One education system to Capita's SaaS cloud offering.
Newbiggin Sports Centre	0.100 Revised budget allocation to reflect the increase in construction costs as a result of current market conditions.
Fleet Replacement Programme	7.850 Inclusion of anticipated budget requirements for 2025-26.
Food Waste Collection Pilot	0.043 New scheme to fund the capital requirements arising from the pilot.
Hirst Area Containerisation of Waste	0.200 A new provision to enable the timely full roll-out in 2022-23 of the provision of improved containerisation and storage arrangements (via communal bin compounds) alongside improved access to recycling services across all 546 homes that remain on bagged collections.
Depot Rationalisation	0.834 Revised budget allocation set aside to fund the cost of works following a review of all Council depots.
Property Stewardship Fund - Public Toilet Refurbishment	0.500 Increase in budget provision for refurbishment of toilets.
Sustainable Warmth	5.626 New external grant funding, as approved by Cabinet in October 2021, to support the upgrade energy inefficient homes of low-income households in Northumberland. The scheme is focused upon upgrading the worst insulated owner occupier and private rented homes with energy efficiency installations and low carbon heating. Measures will include: external wall insulation, underfloor insulation, loft insulation, air source heat pumps and solar PV.
Choppington Primary Artificial Pitch	0.205 New provision for the construction of an artificial grass pitch on the school site that would be used by the school and the wider community. The Council's contribution to this project is fixed at £0.050 million.
New Hartley First School (Classroom)	0.023 A new provision to address the suitability issue in two classrooms in order to provide an improved teaching environment.
Mobile Classroom Replacement Programme	0.090 Additional allocation to existing scheme, funded by grant.
Schools Redevelopment	14.908 Additional allocation to fund increased construction costs.
Whittingham Primary School (Classroom)	0.140 A new budget to address a suitability issue with 2 existing classrooms. The school will fund the majority of the works and there will be a fixed £0.020 million contribution from the Council.
Electric Vehicle Charger Installation	1.600 New budget to provide a further enhanced network of public electric vehicle (EV) charging points across the County. Where possible the funding will be used to match external grant funding. Expenditure will be targeted at those areas where there are gaps in the availability of EV charging points and areas with significant areas of on street parking where home EV charging is not possible.
FCERM - Briar Dene Surface Water	0.093 A new project funded by Environment Agency grant to support surface water management works to better protect residential properties from the risk of flooding
FCERM - Stannington Surface Water	0.040 A new project funded by Environment Agency grant to support surface water management works to better protect residential properties from the risk of flooding

Project	£m Description
Highways Laboratory Expansion	0.615 New scheme to remodel the internal arrangements of the current Highways Laboratory building along with a modest garage extension. External work is regularly turned down due to resource limitations of the existing building, and in order to increase the capacity to accommodate additional work, and the additional staff required to undertake it, the size and efficiency of the building needs to be increased.
Highway Maintenance Investment in U and C roads and Footways	2.000 Further support to existing project to improve the County's rural roads and footpaths.
LTP - Local Transport Plan	52.646 Anticipated grant awards in 2024-25 and 2025-26 from Department for Transport for highways improvements.
Members Small Schemes	1.005 Inclusion of anticipated capital budget requirements for 2025-26.
Salt Barns	0.872 Further support to existing project to construct additional salt barns at various locations across the County in order to keep salt dry. The application of salt when dry is more efficient than applying wet or damp salt.
Todstead Landslip	9.316 A new provision in relation to addressing highway issues on the strategically important B6344 in the Coquet valley near Rothbury. The embankment carrying the road has been moving for a number of decades, causing cracking to the carriageway and continual risk of failure coupled with an unsustainable maintenance burden. The project aims to realign the highway and construct a retaining structure to support the road therefore eliminating the possibility of further damage or ultimate loss of the highway itself.
Union Chain Bridge	0.150 Increase in budget to meet anticipated increase in costs.
Winter Services Weather Stations	0.400 New project to replace existing full forecast stations with new equipment and improve gaps in current weather station provision. In addition to the weather station equipment, improvements will also be made to road access and hardstandings where necessary to improve safe access to the stations for their maintenance. The winter services weather stations across the Northumberland road network are a vital part of the winter services forecasting and operation systems. The existing weather stations are now life expired and will not be supported from Winter 2022-23. It is therefore critical that the weather stations are replaced. As part of the replacement programme consideration has been given to locations. Some stations which currently have observation only status would be upgraded to full forecast status and four proposed new stations would be installed. This will give full and detailed coverage across the County allowing forecasters / winter service decision makers significantly better information for planning winter services actions and ensuring this critical road and connectivity service can implement effective salt treatment operations across the various climatic domains present within the County.
Total Increases	177.621
Blyth Relief Road	(25.592) A number of constraints to delivery have been identified in the past 12 months which has led to a review of costs and the proposed route of the relief road. The project has moved in the programme to 2025-26 in order to accommodate this.
Hexham HAZ	(0.373) Reduction in anticipated external funding.
Restoring Your Railway	(14.750) Project removed as failed to secure external funding.
Contingency to Support Grant Funded Projects	(2.500) Project Removed
Foggin's Yard Rothbury [HRA Re-Provision]	(0.827) Project removed as a separate scheme and now included within affordable homes programme.
CRM	(0.100) Project removed
Property Stewardship Fund - Backlog M&E and Fabric	(3.100) Reduction in generic provision.
Special Needs Schools	(1.058) Allocation used on 'Blyth Free School' in 2021-22 - Approved by Cabinet 13 July 2021
CP - Car Parks General	(1.723) Accelerated scheme at Goosehill car park in 2021-22.
FCERM - Stocksfield & Riding Mill	(0.433) Scheme value reduced in line with anticipated external grant support. Drainage improvement works to reduce flood risk from surface water and watercourses
Pothole and Challenge Fund	(8.785) This funding is now amalgamated within the annual LTP allocation.
Total Decreases	(59.241)
TOTAL NET MOVEMENT (excluding slippage)	118.380

CAPITAL PRUDENTIAL INDICATORS 2022-23 to 2025-26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plan is reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

The Local Government Act 2003 requires all local authorities to have regard to the Prudential Code for Capital Finance. The Code states that a soundly formulated capital programme must be driven by the desire to provide high quality, value for money public services. As a consequence, the Code recognises that in making its decisions to make capital investment, the Council must have regard to:

- affordability (e.g., implications for Council Tax);
- prudence and sustainability (e.g., implications for external borrowing);
- option appraisal;
- asset management planning;
- strategic planning for the Council;
- achievability of the forward plan.

The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate local authorities have fulfilled these objectives, the Code sets out the indicators that must be used and the factors that must be taken into account.

Under the Prudential Code for Capital Finance in Local Authorities, local authorities determine their own level of capital expenditure.

Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans.

Capital Expenditure	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Adult Services	2.355	8.192	4.000	2.000	2.000
Business & Community Development	-	0.132	-	-	-
Children's Social Care	0.146	1.937	-	-	-
Economy and Regeneration	29.203	129.369	88.995	22.133	37.562
Finance	31.685	30.136	14.536	11.000	11.000
Fire and Rescue Service	2.159	1.999	1.182	1.170	1.237
Housing - GF	1.960	0.802	-	-	-
Housing - HRA	14.190	27.639	22.348	24.733	13.113
IT	8.319	2.660	0.750	0.600	0.850
Leisure Services	15.440	15.447	-	-	-
Neighbourhood Services	7.437	6.496	3.452	7.850	-
Property Services	6.720	6.935	10.230	9.609	-
Renewable Energy	5.026	11.551	2.000	-	-
Schools	29.011	22.602	47.732	63.275	6.733
Technical Services / Local Services	54.510	41.460	38.963	24.831	24.831
Total Capital Expenditure	208.161	307.357	234.188	167.201	97.326

The table below summarises how the above capital expenditure is being financed.

Capital Funding	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Capital Receipts	7.523	4.716	3.650	2.650	2.655
External Grants	79.430	150.488	102.582	36.376	44.605
GF Borrowing	109.076	126.983	109.203	94.466	34.711
GF Contributions	1.300	3.437	0.755	13.076	3.197
HRA Borrowing	-	-	3.750	11.250	-
HRA Contributions	10.832	21.733	14.248	9.383	12.158
Total Capital Funding	208.161	307.357	234.188	167.201	97.326

Capital Financing Requirement - the Council's borrowing need

The Capital Financing Requirement (CFR) is the Council's underlying need to borrow for a capital purpose.

All the capital assets the Council has ever bought will have been in part paid for by capital receipts, grants and revenue contributions. The remaining part which has not yet been paid for through revenue or capital resources is described as the CFR. In this respect it could be viewed like a mortgage. You have paid for the house (assets), have some equity in it (capital receipts etc.), but have not yet paid off the mortgage (CFR).

The CFR increases each year by capital spend, and decreases by both capital financing (capital receipts, grants etc.) and an annual revenue charge called the Minimum Revenue Provision (MRP).

The CFR shown below, which includes other long-term liabilities such as PFI and leasing arrangements, is increasing by £175.210 million over the next four years and is shown below.

The Council is asked to approve the following CFR projections.

Capital Financing Requirement (CFR)	2020-21 Actual £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
General Fund CFR	931.846	1,006.235	1,074.518	1,141.349	1,181.515	1,166.445
HRA CFR	104.871	104.871	104.871	108.621	119.871	119.871
Overall CFR	1,036.717	1,111.106	1,179.389	1,249.970	1,301.386	1,286.316
Movement in Year		74.389	68.283	70.581	51.416	(15.070)

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but 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. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream	2020-21 Actual %	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
General Fund	7.2	9.0	15.3	10.7	13.3	12.2
HRA	10.5	10.9	10.4	10.1	10.1	9.9

The estimates of financing costs include current commitments and the proposals in the budget report.

Net Income from Commercial and Service Investments as % of net revenue stream

This new indicator identifies the authority’s reliance on income from Commercial and Service Investments such as that loans to Advance Northumberland, Northumbria Healthcare NHS Foundation Trust and Newcastle Airport etc. In Northumberland’s case, all of the income is in relation to interest received on loans provided to third parties in support of the Council’s service and policy objectives. These facilities are not provided to generate a financial return or gain for the Council.

Ratio of Income from Commercial and Service Investments to net revenue stream	2020-21 Actual %	2021-22 Estimate %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
Overall	4.3	4.4	4.3	4.5	4.6	4.5

Authorised Limit for External Debt

This is an important indicator, as it is part of the Local Government Act 2003 requirements.

The Authorised Limit is the maximum amount the Council could afford to borrow in the short term but would not be sustainable in the long term. It should be set at the expected borrowing position, plus any expectations for borrowing in advance of need, plus some headroom to cope with the unexpected.

It is set as an assessment of how much the Council may need to borrow above expectations if an unforeseen incidence happened. This could be the delay in a large capital receipt, the failure of the Council Tax system etc., something that upsets the cash flow but will be corrected over time.

So the Authorised Limit, if set properly, is an alarm mechanism that, if breached, means there is a problem with the Council’s finances.

The Council is asked to approve the following Authorised Limit:

Authorised Limit	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Borrowing	1,252.818	1,308.596	1,315.980	1,323.196
Other long-term liabilities	76.603	77.561	72.173	66.339
Total	1,329.421	1,386.157	1,388.153	1,389.535

Operational Boundary for External Debt

Whilst the Authorised Limit is an overall cap on borrowing, the Operational Boundary is where the Council would expect its borrowings to be. It is only a guide and may be breached or undershot without significant concern, as borrowings will be driven by economic and market considerations as well as interest rates.

The Council is asked to approve the following Operational Boundary:

Operational Boundary	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Borrowing	1,044.015	1,090.496	1,096.650	1,102.663
Other long-term liabilities	63.836	64.634	60.144	55.282
Total	1,107.851	1,155.130	1,156.794	1,157.945

Treasury Management Limits on Activity

There are two debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Limit on Investments for longer than 365 days.

Maturity Structure of Borrowing

Setting limits for the maturity structure of debt ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of maturing debt is not ending at a time when interest rates for refinancing the debt may be high.

Maturity Structure of fixed rate borrowing during 2022-23	Upper Limit %	Lower Limit %
Under 12 months	25	0
1 year - 2 years	40	0
2 years within 5 years	60	0
5 years within 10 years	80	0
10 years and above	100	0

Maturity Structure of variable rate borrowing during 2022-23	Upper Limit %	Lower Limit %
Under 12 months	35	0
1 year - 2 years	40	0
2 years within 5 years	60	0
5 years within 10 years	80	0
10 years and above	100	0

Investments for periods longer than 365 days

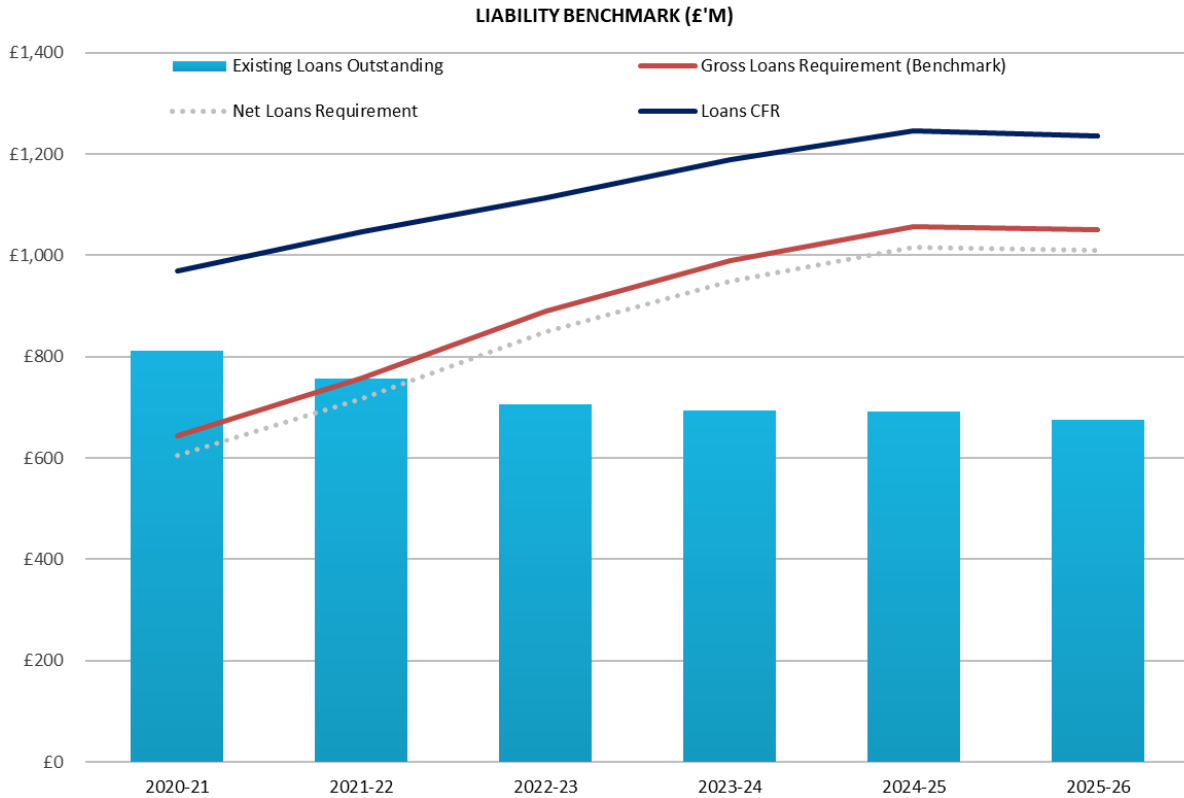
These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator:

Maximum principal sums invested which can be held for over 365 days	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Principal sums invested > 365 days	120	120	120	120

Liability Benchmark

The liability benchmark is a graphical projection of the amount of loan debt outstanding which the authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows. In essence it compares the existing external borrowing (i.e. loans outstanding) against the future ‘gross loans requirement’ (i.e. need); with the gap representing the future need to borrow (externally). It should be noted that the ‘loans requirement’ figures assume all available investment balances (bar, in the case of the gross loans requirement, a provision to cover day-to-day liquidity / cash flow requirements) will be used to support the borrowing need, in lieu of borrowing externally.



Supplementary Indicator - Internal Borrowing

The following indicator identifies the estimated level of internal borrowing, i.e., the extent to which internal / investment balances are being used in lieu of borrowing externally (to fund the CFR, or overall need to borrow).

Internal Borrowing	2022-23 %	2023-24 %	2024-25 %	2025-26 %
Estimated % of CFR (exc. PFI) funded from internal borrowing – Average for Year	21.5	18.2	15.6	14.9

Please note, the above indicator is not specifying a limit. It simply identifies, for information purposes, the assumed internal borrowing position that has been used in calculating the revenue budget implications for the Council’s treasury management activity.

The indicator identifies the interest rate risk exposure on this element of the borrowing need / requirement, i.e., beyond that attributable to actual external borrowing. The higher the percentage, the greater the potential risk.

The following table identifies the notional additional cost should the above internal borrowing need to be externalised – i.e., replaced with actual external loans:

Internal Borrowing – Notional Replacement Cost	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Notional cost of externalising internal borrowing	5.243	4.435	3.578	3.012

Note the above (notional) cost is based on the estimated average external borrowing rate for each year. Again, the above indicator is not specifying a limit. It is simply for information purposes.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2022-23**Background**

Local authorities are required each year to set aside some of their revenue as provision for debt repayment. Previous regulations prescribed how much provision to make using a formula which was linked to prudential indicators. The system was simplified under the 2008 Regulations and authorities are now only required to make “prudent provision”, based on guidance issued by the former Department for Communities and Local Government.

The broad aim of prudent provision is to ensure debt is repaid over a period that is either reasonably equal with that over which the capital expenditure provides benefit; or, in the case of borrowing supported by Government Revenue Support Grant reasonably equal with the period implicit in the determination of that grant.

The Government’s guidance offers four options for the calculation of the provision:

- Option One - Regulatory Method: MRP charges are based on the same formula used in the previous regulations. This method should only be adopted for capital expenditure incurred before 1 April 2008. However, it may also be applied for any new capital expenditure that is deemed to be ‘supported’ as part of the Revenue Support Grant (RSG) settlement on the grounds that the MRP charge would be offset by the support included with the RSG.
- Option Two – Capital Financing Requirement (CFR) Method: A simplified version of option one which removes an adjustment in the original formula, known as Adjustment A, that ensured consistency with previous Capital Regulations. For most authorities this method would probably result in a higher level of provision than option one.
- Option Three – Asset Life Method: The MRP charge is aligned to the estimated life of the asset for which the borrowing is undertaken. This method is suggested for new borrowing for which no Government support is being given (i.e., unsupported borrowing), but can also be used for supported borrowing as well.
- Option Four – Depreciation Method: MRP is matched to the provision for depreciation. The result should be similar to option three.

The guidance suggests that from 2009-10 onwards MRP charges relating to non-government supported borrowing must be calculated using either method three or four.

The legislation requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.

Confirmation of Existing Policy

A continuation of the existing practise is proposed for 2022-23. The Council is therefore recommended to approve the following arrangements:

- For historic capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, MRP will be charged on a straight-line basis over 50 years, as adopted in 2019-20.
- For all capital expenditure incurred after 1 April 2008 financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.
- With regard to the Option 3 element, a fixed average asset life will be assumed and applied to the global in year unsupported borrowing / spend, rather than breaking this calculation down to spend on individual assets and their respective lives. The assumed life will be based on the historic weighted average life of all assets included in the Option 3 calculation for 2009-10 to 2014-15.
- For capital expenditure in respect of Long-Term Capital Debtors, where principal is repaid over the term of the loan (such as the loans to Northumbria Healthcare NHS Foundation Trust), no MRP provision is made; but the liability will be met by setting aside the associated receipt of the repayments. MRP will however be calculated for those Long-Term Capital Debtors where principal is repaid on maturity and the loan term is greater than 5 years (such as the loans to Advance Northumberland).
- In order to allow increased flexibility to cope with future austerity, whenever resources are available and allow; additional voluntary set aside may also be made. Conversely, any advance provision from previous years may if needed be utilised to reduce the current year's MRP requirement (i.e., that which would otherwise be set aside). The level of each year's voluntary set aside, or reversal, will be delegated to the Section 151 Officer (or the Deputy Section 151 Officer in their absence), based on what is considered prudent and affordable for both existing resources and future forecasts.
- There is no requirement to provide minimum revenue provision in relation to the Housing Revenue Account.

TREASURY MANAGEMENT STRATEGY STATEMENT 2022-23

1. INTRODUCTION

1.1. Background

This Treasury Management Strategy Statement details the expected activities of the Treasury Management function for the financial year 2022-23. Its production and submission to full Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Part of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low/medium risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council; essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue expenditure or for larger capital projects. The financial cost of these activities - i.e. the balance between the interest cost of debt and the investment income arising from cash deposits - has a significant impact on the overall revenue budget. In addition, since cash balances are mostly generated from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss to the General Fund Balance.

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

CIPFA defines treasury management as:

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

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's

(CIPFA) Prudential Code 2017, and the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017.

The Codes define the manner in which capital spending plans are to be considered and approved. They require the Council to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. In conjunction with this, they also require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy, as required by the (revised) Investment Guidance issued by the former Ministry of Housing, Communities and Local Government (MHCLG) which came into effect 1 April 2018.

With effect from 2019-20 there was a requirement that the report included a Capital Strategy, to provide a longer-term focus to the capital plans, and an extension of the meaning of 'investments' to include both financial and non-financial investments or commercial activity undertaken under the Localism Act 2011. The Capital Strategy is reported to County Council for approval with the annual budget report and Medium Term Financial Plan in February each year.

Non-financial investments, especially in property, do not generally form part of the treasury management activities carried out by the treasury management team of a local authority.

Treasury management investments represent the placement of cash in relation to the s12 Local Government Act 2003 Act investment powers: namely residual cash resulting from the authority's day to day activities.

Non-financial, or non-treasury investments tend to relate to s1 expenditure powers under the Act and be either of the following:

- Policy type investments, whereby capital or revenue cash is advanced for a specific council objective. This may be an advance to a third party for economic regeneration, or to enable care facilities etc.
- Commercial type investments, whereby the objective is primarily to generate capital or revenue resources. The resources generated would then help facilitate Council services.

This report deals solely with financial investments. Non-financial investments, which from the Council's perspective relate to the loans provided to third parties, are covered in the Capital Strategy report.

1.3. Basis and Content of Treasury Management Strategy for 2022-23

The proposed strategy for 2022-23 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented by leading market forecasts provided by the Council's treasury advisors, Link Asset Services. The strategy covers:

- Current portfolio position.
- Economic outlook and prospects for interest rates.

- Borrowing Strategy for 2022-23.
- Annual Investment Strategy for 2022-23.
- Housing Revenue Account (HRA) treasury costs.
- Treasury management limits and Prudential Indicators.
- Minimum Revenue Provision Policy Statement.
- Policy on use of external service providers; and,
- implementation of the Treasury Management Strategy, scheme of delegation, reporting and training requirements.

1.4. Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. In particular, Section 31 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 the impact of increases in capital expenditure, such as interest charges associated with any new borrowing, and any increases in running costs from these capital projects, must be limited to a level which is affordable within the projected income of the Council for the foreseeable future.

The Council also has a statutory duty under S.3 of the Local Government Act 2003, and supporting regulations, to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Link benchmarking clubs.

2. THE PORTFOLIO POSITION AT 30 NOVEMBER 2021

2.1. Current Borrowing

The Council's borrowing at 30 November 2021 is shown below:

	General Fund £m	HRA £m	Total Principal 30 Nov 2021 £m	Weighted Average Rate %
Public Works Loan Board Loans	413.844	40.704	454.548	2.65
LOBOs	153.500	23.000	176.500	3.95
Market / Local Authority (>1 year)*	131.000	8.100	139.100	2.55
Salix	0.015	-	0.015	-
Short Term loans* (<1 year)	32.034	-	32.034	0.33
TOTAL EXTERNAL BORROWING	730.393	71.804	802.197	2.83

* Note: above figures are based on the term of loans at their inception

Total external borrowing has decreased by £10.275 million from £812.472 million at the start of year to £802.197 million at 30 November 2021. Following further repayments and an assumed £50.000 million new borrowing later in the year, the year-end figure is expected to be around £806.893 million.

2.2. Current Investments

The table below summarises the investment position at 30 November 2021:

	Total Principal 30 Nov 2021 £m	Weighted Average Rate %
Money Market Funds and Call Accounts	117.000	0.02
Fixed Term Investments – Short Term (<1 year)*	80.014	0.17
Fixed Term Investments – Long Term (>1 year)*	30.000	3.24
TOTAL EXTERNAL INVESTMENTS	227.014	0.50

* Note: above figures are based on the term of investments at their inception

3. FORECAST FOR INTEREST RATES AND ECONOMIC OUTLOOK

The Council has appointed Link Asset Services (Link) as its treasury advisor and part of its service is to assist the Council to formulate a view on interest rates. The following table gives Link's central view of rates for 2022-23 (at 09 November 2021). A longer view and more detailed forecast are included at Annex 1.

	Quarter 1 (Q/E Jun 2022)	Quarter 2 (Q/E Sep 2022)	Quarter 3 (Q/E Dec 2022)	Quarter 4 (Q/E Mar 2023)
Bank Rate	0.50%	0.50%	0.50%	0.75%
5-year PWLB	1.60%	1.60%	1.70%	1.70%
10-year PWLB	1.90%	2.00%	2.00%	2.10%
25-year PWLB	2.30%	2.40%	2.40%	2.40%
50-year PWLB	2.10%	2.20%	2.20%	2.20%

3.1. Economic Outlook (at November 2021)

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at all of its subsequent meetings.

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic. It should therefore be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC’s 2.00% target after the spike up to around 5.00%.

However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons:

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagnation which would create a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April, and increases in other prices caused by supply shortages, as well as increases in taxation next April are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160.000 billion of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It is estimated that there were around 1 million people who came off furlough at the end of September; how many of those would not have had jobs on 01 October and would therefore be available to fill labour shortages which are creating a major headache in many sectors of the economy? So, supply shortages which have

been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate one of the MPC's key current concerns.

- It is also recognised that there could be further surprises on the Covid-19 front, on top of the flu season this winter, and even the possibility of another lockdown, which could all depress economic activity.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will be revised again over the next few months.

3.2. Forecast for Treasury / Gilt Yields and PWLB Rates

As the US financial markets are, by far, the biggest financial markets in the world any trends in the US invariably impact and influence financial markets in other countries. And there is a strong correlation between movements in US treasury yields and UK gilt yields, and hence PWLB borrowing rates.

At its November meeting the US central bank, the Federal Reserve (or Fed), decided to start tapering its monthly Quantitative Easing (QE) purchases. If the run-down continues at its current pace, the purchases would cease entirely next June – although the Fed has reserved the ability to adjust purchases up or down. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that US Treasury yields would rise as a consequence over the taper period, all other things being equal.

With wage growth at its strongest since the early 1980s, inflation expectations rising and signs of a breakout in cyclical price inflation, particularly rents, the Federal Open Market Committee's (FOMC) insistence that this is still just a temporary shock "related to the pandemic and the reopening of the economy", does raise doubts which could undermine market confidence in the Fed and lead to higher treasury yields.

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

3.3. Significant Risks to the Forecasts

- Labour and supply shortages prove more enduring and disruptive and depress economic activity.
- Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.
- The Monetary Policy Committee acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- The Monetary Policy Committee tightens monetary policy too late to ward off building inflationary pressures.
- The Government acts too quickly to cut expenditure to balance the national budget.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- German general election in September 2021. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel's tenure as Chancellor will end and will leave a hole in overall EU leadership.
- Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.
- Major stock markets, for example the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geopolitical risks, for example in Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

3.4. The Balance of Risks to the UK

The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid-19 and its variants - both domestically and their potential effects worldwide.

4. THE BORROWING STRATEGY 2022-23

4.1. Introduction

The Council borrows to fund the Capital Programme, including loans to third parties for policy reasons (such as those to Advance Northumberland and Northumbria Healthcare NHS Foundation Trust etc.). Its capital expenditure plans are therefore the key driver of treasury management activity.

The output of capital expenditure plans is reflected in the Prudential Indicators, as set out in Appendix 16.

4.2. Borrowing Need – Capital Financing Requirement

The Council's long-term borrowing requirement is measured by the Capital Financing Requirement ("CFR"). The CFR represents total historic outstanding capital expenditure which has not yet been paid for from either revenue or cash-backed capital resources (such as grants and capital receipts). The CFR is repaid over time by an annual charge to revenue, known as the Minimum Revenue Provision (MRP). This

charge, which is equivalent to depreciation, effectively spreads the cost of debt associated with capital expenditure over the useful economic life of the underlying assets.

At the same time the Council has significant levels of ‘cash-backed’ balances that are available for investment. Accordingly, the capital financing requirement (or borrowing requirement) need not always be met or funded externally from physical loans: At least in the short term, investment balances can be ‘used’ in lieu of borrowing externally; by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund part of the borrowing requirement. This is often referred to as ‘internal’ or ‘under’ borrowing. Such an approach also has the added benefit of reducing ‘counter-party’ credit risk in terms of investments; because it reduces the need to place investments with external institutions.

The following tables summarise the forecast CFR movements for the next three financial years (based on the latest capital expenditure plans) along with the anticipated external borrowing over this period; assuming a significant degree on internal borrowing as proposed further below:

CFR Forecast (exc. PFI)	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Opening CFR (exc. PFI)	1,047.270	1,114.755	1,189.825	1,246.103
Increase in CFR (exc. PFI)	67.485	75.070	56.278	(9.796)
Closing CFR (exc. PFI) [Need to Borrow]	1,114.755	1,189.825	1,246.103	1,236.307

External Borrowing Forecast (exc. PFI)	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Opening External Borrowing (exc. PFI)	806.893	890.349	993.805	1,061.512
Increase / (Decrease) in External Borrowing (exc. PFI)	83.456	103.456	67.707	(11.048)
Closing in External Borrowing (exc. PFI)	890.349	993.805	1,061.512	1,050.464
Under / (Over) Borrowing	224.406	196.020	184.591	185.843

4.3. Proposed Borrowing Strategy

With investment returns anticipated to remain low (at least in the short term), it is proposed to continue with the practise adopted in recent years of wherever possible using investments in lieu of external borrowing – i.e., operating an under-borrowing position.

Whilst the principal strategy of maintaining an under-borrowing position will reduce short term revenue costs, consideration will also be given to weighing the short-term advantage of internal borrowing against potential long-term costs.

As identified above, by the end of 2022-23, 20.13% (£224.406 million) of the Council's borrowing requirement is proposed to be covered by internal borrowing. The effective cost of this 'borrowing' is the foregone investment income. For 2022-23 this is estimated at 0.50% or around £1.162 million (based on the average mid-year internal borrowing position). Taking into consideration the forecast average cost for external borrowing (i.e., average interest rate on actual loans) for 2022-23 of 2.76%, this equates to a notional saving of 2.26% or around £5.243 million (or alternatively the notional cost of externalisation).

However, it is important to point out that this element of the borrowing requirement is subject to interest rate movements and therefore not without risk. Clearly if investment returns were to increase, or the borrowing had to instead be externalised (and funded by actual loans), the costs associated with this would increase accordingly. In order to identify and quantify this risk a local indicator is included in the Council's Prudential Indicators (see Appendix 16), identifying the level of internal borrowing and the impact of interest rate movements on this proportion of the borrowing requirement.

Despite utilising investments balances to support the borrowing need, as identified above a significant amount of external borrowing will still be required during 2022-23 (estimated at around £185.000 million, after taking into consideration maturing loans of £101.544 million) and going forward to fund the proposed capital programme.

Against the above backdrop that interest rates are projected to remain low over the next few years, and the risks within the economic forecast, it is envisaged the external borrowing requirement will be met primarily from shorter term / temporary borrowing (up to 2 years). However medium to longer term borrowing may also be considered to provide a degree of longer-term certainty, and in particular if rate increases start to materialise earlier than projected (due to increased optimism in the economy etc.).

The Section 151 Officer will continue to monitor the interest rate market and scrutinise all lending opportunities to ensure borrowing is taken at the most advantageous time and limit the risk of exposure to increased borrowing costs in the future.

In line with the scheme of delegation set out in the Treasury Management Practices (TMP's, section 10), the Section 151 Officer will continue to approve all borrowing.

4.4. Policy on borrowing in advance of need

While not expected to happen due to the internal/under borrowing policy, the Council does have flexibility to borrow funds this year for use in future years. Where there is a clear business case for doing so, borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

4.5. Debt Rescheduling

As short-term borrowing rates are forecast to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment and in particular the premiums incurred.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings,
- helping to fulfil the treasury strategy; and,
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The Council will monitor the situation and seek advice from Link Asset Services before any rescheduling of debt. All rescheduling will be reported to the Council as part of the in-year treasury management updates.

4.6. Municipal Bond Agency and European Investment Bank

The Municipal Bond Agency, which is currently in the process of being set up, may be in a position to offer loans to local authorities in the near future; perhaps at rates lower than those offered by the PWLB. Consideration may therefore be given to making use of this new source of borrowing as and when appropriate.

Consideration will also be given to borrowing from the European Investment Bank (EIB), where rates can be forward fixed, if this represents better value for money.

5. ANNUAL INVESTMENT STRATEGY 2022-23

5.1. Introduction – Investment Policy

The Council has significant levels of ‘cash-backed’ balances that are available for investment, in the form of General Fund and HRA balances, and the numerous earmarked reserves and provisions.

5.2. Investment Returns Expectations

As outlined in section 3 above and Annex 1, investment returns are expected to improve in 2022-23. Link Asset Services current forecast a first increase in Bank Rate in December 2021. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

Against this background, Link Asset Services suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	2022-23	2023-24	2024-25	2025-26	2026-27
Budgeted Rate	0.50%	0.75%	1.00%	1.25%	2.00%

5.3. Investment Strategy

As proposed in section 4 above, it is expected that during 2022-23 a significant proportion of available investment balances will be used as 'internal borrowing' to support the financing of the CFR. As a result, external investments will be limited and may decrease further during the year.

All remaining funds will be invested in-line with the following Investment Policy, which has regard to the former MHCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The overall aim of the Investment Strategy is to provide security of capital and minimise risk while ensuring the Council has sufficient liquidity.

The Council will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity. The risk appetite of the Council is low/medium, therefore specified and unspecified investments (see below) will be considered. However, security and liquidity will continue to take precedence over yield. All investments will be placed only with organisations which meet the criteria and will always be scrutinised and approved in line with approved Treasury Management Practices (Annex 3).

5.4. Investment objectives

The general policy objective for this Council is the prudent investment of its surplus cash balances, which includes monies borrowed for the purpose of expenditure in the reasonably near future (i.e., over the 4-year medium term planning cycle). The Council's investment priorities are:

- the security of capital,
- the liquidity of its investments; and,
- the achievement of optimum yield.

Security and liquidity of principal have always been the priority and will continue to be so. In CIPFA's view "The priority is to protect capital rather than maximise return. However, the avoidance of all risk is neither appropriate nor possible and a balance must be struck with a keen responsibility for public money." In times of budget constraints, making the Council's funds work and generate increased returns is becoming increasingly important. CIPFA encourages local authorities to look carefully at their Counterparty Lists to ensure return on investments is achieved.

CIPFA recommends that "Responsibility for local authorities investment decisions lies and must continue to lie with the local authorities themselves". The best authorities:

- explicitly balance risk and reward,
- review and scrutinise policies and procedures regularly,
- have well trained staff and engaged elected members; and,
- use a wide variety of information.

The Credit and Counterparty Criteria List (Annex 2), which has not changed from last year, offers diverse counterparties and takes into account country, sector and group limits.

This list clearly sets out the minimum acceptable credit criteria for organisations with which the Council will place funds.

All investments will be placed only with organisations which meet the criteria and will always be scrutinised and approved in line with approved Treasury Management Practices (Annex 3).

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

5.5. Security of Capital and Creditworthiness (Credit and Counterparty Policy)

In accordance with the above guidance from the former MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria when determining which organisations it can place investments with. The criteria are set out in Credit and Counterparty Policy which is attached at Annex 2.

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty policy and limits reflect a prudent attitude towards organisations with which funds may be deposited.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from Fitch and Moody's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies,
- CDS* spreads to give early warning of likely changes in credit ratings; and,
- sovereign ratings to select counterparties from only the most creditworthy countries.

* Credit default swaps (CDS) are a type of insurance against default risk by a particular company/financial institution. In the event of a default, the buyer receives the face value of the bond or loan from the insurer.

The Council is alerted daily of changes to ratings of both agencies. If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, no new investment will be made. Consideration will also be given to whether or not existing investments will be withdrawn, which is dependent on whether the bank concerned is agreeable.

As with previous practice, ratings and the use of this external service will not be the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. In addition, the

Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

The assessment will also take account of information that reflects the opinion of the markets. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.6. Types of investments the Council may use

The Council may use various financial instruments for the prudent management of its treasury balances (as listed in the Credit and Counterparty Policy in Annex 2).

The Credit and Counterparty Policy does not identify individual counterparty names in order to ensure that the Section 151 Officer has the flexibility to place investments with the most suitable organisations, which meet the agreed criteria, in a timely manner.

Treasury staff investigates various products and instruments as they become available to see if they meet the Council's investment priorities and criteria list.

In line with the former MHCLG Guidance, the Credit and Counterparty Policy categorises investments instruments between 'Specified' and 'Non-Specified' investments:

Specified Investments offer high security and high liquidity. All such investments are:

- in pounds sterling,
- due to be repaid within 12 months or which may be required to be repaid within 12 months,
- not capital expenditure,
- made with high credit quality organisations, (for the purpose of this strategy high credit ratings are "A-" and above for long term and "F2/P-2" and above for short term investments); or,
- made with the United Kingdom Government or local authority (including the North East Combined Authority), parish council or community council.

Non-Specified Investments are those which do not meet the criteria for specified investments and give greater potential risk. The former MHCLG does not discourage the use of non-specified investments but states that there is a need for these to be dealt with in more detail.

As in previous years, it is anticipated that the majority of investments will be specified but it is proposed to maintain a maximum of 25% of total Council investments being held in non-specified investments at any one time during the year. This is primarily to allow the use of large, non-rated, building societies as well investments beyond 1 year with other local authorities.

Investments will only be placed with organisations which meet the criteria set out in the approved Credit and Counterparty Policy. Individual investments or aggregate of

investments to one organisation should comply with the monetary limits set out in the Credit and Counterparty Criteria List.

Nationalised/part-nationalised banks in the UK have credit ratings which do not comply with the credit criteria used by the Council. However, due to significant Government ownership the Council feels more comfortable applying higher limits for investments.

Investments are to be arranged in line with Treasury Management Practices (Annex 3) and all investments with new counterparties must be approved by the Section 151 Officer or the Deputy Section 151 Officer or in their absence the Finance Managers. There is currently no proposed change to this practice.

5.7. Forecast Investment Balances and Liquidity

Based on current reserves and balances forecast and allowing for the proposed strategy of using some of the investable balances as 'internal borrowing' to support the financing of the CFR (see Section 4), it is anticipated that in 2022-23 the Council's external investment balances will fluctuate throughout the year within a range between £41.119 million and £82.502 million.

To ensure liquidity a minimum of 20% of overall investments, or £5.000 million, whichever is lower, will be held in liquid accounts. For cash flow generated balances, the Council will seek to utilise its money market funds, call accounts and short-dated deposits (overnight to six months).

As investment rates are forecast to remain low and there is a requirement for liquid funds to support the under-borrowing position, it is envisaged the Council will avoid locking into longer term deals. However, if exceptionally attractive rates are available then they will be considered. Close contact will be maintained with the money market to ascertain the most favourable interest rates on offer to achieve best value from the return on surplus monies available in line with the Counterparty Policy in Annex 2.

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates.

5.8. Non-Treasury Management Investments Defined as Capital Expenditure

In addition to the above standard treasury management activity, the Council also receives interest from two other 'non-treasury' activities; namely the investment shares NIAL Holdings (Newcastle Airport) [valued at £9.729 million as 31 March 2021] and Advance Northumberland [£4.338 million], and the loans to Newcastle Airport, Northumbria Healthcare NHS Foundation Trust, Advance Northumberland and other organisations.

These non-treasury activities are deemed by Statutory Regulations as capital expenditure and are provided to support Council service objectives and corporate priorities. They are not made or regarded as part of the 'core' treasury management activity - i.e., the investment of surplus cash flow balances, as made under the power to invest inferred by s12 of the Local Government Act 2003. As a result, these activities were previously outside of the scope of the Investment Strategy.

The former MHCLG's investment guidance recommends that these non-financial or non-core investments should be included within the Annual Investment Strategy.

Whilst it is entirely appropriate to highlight the scope of these activities, there is a view amongst some practitioners that it may be misleading to refer to items of expenditure in the context of an investment strategy, and that a more suitable mechanism to explain and cover these activities would be within the newly re-introduced Capital Strategy.

Due to their nature, it is difficult to assess and consider non-financial or non-core investments in the context of liquidity and security, which arguably does not apply to these activities, at least not in the same way as it does for standard cash investments. Beyond the terms of the underlying agreement, loans to third parties are not liquid and have no need to be. The expenditure is incurred in the support of service objectives and funded from capital resources, which is different to the requirements and policies surrounding management of the Council's investments and cash flows. Similarly, whilst the return of the funds advanced is key, security for third party loans may need to be considered differently to the credit ratings modelling approach utilised for core-treasury investments.

For these reasons, the Council's policy on non-financial or non-core investments, specifically the loans to third parties, is covered separately within the Capital Strategy document which is considered and approved by Council at its budget setting meeting in February (Appendix 13).

A summary of value of loans to third parties and the interest expected to be received is summarised below:

Borrower	Estimated Balance at 1 Apr 2021 £m	Weighted Average Interest Rate	Forecast Interest Income 2022-23* £m
Northumbria Healthcare NHS Foundation Trust	95.696	3.80%	3.606
Advance Northumberland Group	277.995	5.00%	15.099
Newcastle Airport	11.916	8.60%	-.**
North East Local Enterprise Partnership	12.759	3.83%	0.650
Northumberland College	6.164	4.40%	0.289
Northumberland Aged Miners	1.495	3.50%	0.112
Cramlington Town Council	0.299	4.00%	0.012
Active Northumberland	0.189	3.30%	0.005
Newcastle City Council	0.190	5.00%	0.010
Alnwick Juniors	0.165	0.00%	-
Arts Groups (The Maltings, Alnwick Playhouse)	0.083	3.80%	0.003
Calvert Trust	0.089	2.10%	0.002
Alnwick Youth Hostel	0.089	2.10%	0.003
Haltwhistle Pool	0.044	2.10%	0.001
Northumberland Community Bank	0.050	2.54%	0.001
Other Parish/Town Councils and Housing Associations	0.065	11.90%	0.002
Alexa's Animal Charity	0.128	2.4%	0.003
Total	407.416	4.77%	19.798

*Note: the above includes forecast advances to be made.

**No interest payments are due from Newcastle International Airport in 2022-23.

The Medium-Term Capital Programme for 2022-23 to 2025-26 includes a provision of £56.432 million for further loans to Advance Northumberland and other third parties, plus an additional £7.240 million for loans to the North East Local Enterprise Partnership in respect of Enterprise Zone investments (which will ultimately be repaid by future business rate income).

Whilst the income from these advances is significant, the intention is largely only to cover the associated underlying borrowing costs to the Council. The loans are considered and approved to support the Council's service and policy objectives not to generate a financial return for the Council.

5.9. Provision for credit related losses

If any of the Council's investments appear at risk of loss due to default (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

6. HOUSING REVENUE ACCOUNT (HRA) TREASURY MANAGEMENT COSTS

6.1. Overview

Following implementation of the HRA self-financing reforms in April 2012, a separate pool of specific loans is now maintained for the HRA. The interest costs associated with these loans are charged direct to the HRA. This arguably negates the need for the former HRA Item 8 charge, which allocated a share of the Authority's overall borrowing costs to the HRA.

For the most part, the HRA will aim to ensure that new loans are taken out (or repaid) to match any anticipated movement in its borrowing requirement - known as the HRA Capital Financing Requirement (HRA CFR). There will however be instances during the year when the balance of the HRA loan pool - i.e. actual external borrowing charged to the HRA does not equate exactly to the HRA CFR. In such circumstances the HRA is borrowing from (or lending to) the General Fund and an additional charge (or credit) is necessary in order to reflect the notional cost of this imbalance. The Council's proposed policy for this arrangement is as follows, the policy remains unchanged from the previous year:

6.2. Policy for HRA Under and Over Borrowing

HRA Under-Borrowing

Where the weighted average balance of the HRA (external) loans pool is less than the weighted average HRA CFR for the same period, notional interest will be charged to the HRA at the average rate of interest for 30-year PWLB borrowing for the period.

HRA Over-Borrowing

Where the weighted average balance of the HRA (external) loans pool is greater than the weighted average HRA CFR for the same period, notional interest will be paid to the HRA at the average 3-month SONIA (Sterling Overnight Index Average) rate for the period.

6.3. Other Treasury Management Charges to HRA

As under the former Item 8 arrangements, the HRA will continue to receive interest (or investment income) on its weighted average balances for the year, based on the Council's overall average investment rate.

The HRA will also continue to be charged a proportion of the authority's overall debt management expenses (based on the CFR proportions), as well its share of any historic premiums or discounts associated with the premature repayment of borrowing. Any future/new premiums or discounts will be met fully by the relevant fund of the underlying loan – i.e. premiums or discounts related to loans within the HRA loan pool will be charged fully to the HRA, and vice versa.

7. PRUDENTIAL INDICATORS AND TREASURY LIMITS 2022-23 to 2025-26

The Council's capital expenditure plans are the key driver for treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Councils are required to approve a set of Prudential Indicators for the new financial year and adhere to these indicators during the course of that year. The indicators are to be set on a rolling basis, for the forthcoming financial year and three successive financial years. Prudential Indicators for 2022-23 to 2025-26 are set out in Appendix 14.

At the time of writing, CIPFA is consulting on revisions to the Treasury Management and Prudential Codes. The proposals include the potential introduction of two new indicators. On the assumption that the proposals are ultimately agreed, the two new indicators have been included in the Council's Prudential Indicators and Treasury Limits for 2022-23 to 2025-26 – as set out in Appendix 14.

The two new indicators are:

Liability Benchmark: The liability benchmark is a graphical projection of the amount of loan debt outstanding which the authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows. In essence it compares the existing external borrowing against the future 'gross loans requirement' (i.e. need); with the gap representing the future need to borrow (externally). It is however important to point out that CIPFA's current draft guidance suggests the 'loans requirement' should be net of estimated investment balances. As a result, it assumes all available investment balances (except for a provision to cover day-to-day liquidity / cash flow requirements) will be used to support the borrowing need, in lieu of borrowing externally.

Net Income from Commercial and Service Investments as % of net revenue stream: to identify the authority's reliance on income of this nature, such as loans to Advance Northumberland, Northumbria Healthcare NHS Foundation Trust and Newcastle Airport etc.

8. THE ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

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)), although it is also allowed to make additional voluntary payments if required.

Former MHCLG Regulations have been issued which requires Full Council to approve an MRP policy in advance of each year. A variety of options are provided to councils, with an overarching requirement there is a prudent provision.

Former MHCLG revised their MRP guidance in 2018. However, none of the amendments impact on the Council's current or proposed policy.

The 2022-23 policy is unchanged from that approved for 2021-22.

The Council is recommended to approve the Annual Minimum Revenue Provision Policy Statement including Additional Voluntary Provision as detailed within Appendix 17.

9. POLICY ON USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, the Council's treasury advisers.

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

The Council uses Link Asset Services Ltd as its treasury management consultant. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and templates of Member reports.
- Economic and interest rate analysis.
- Debt services which include advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments; and,
- Online up to date credit ratings.

10. IMPLEMENTATION OF THE TREASURY MANAGEMENT STRATEGY, SCHEME OF DELEGATION, TRAINING AND REPORTING REQUIREMENTS

10.1. Implementation of the Treasury Management Strategy

The continued implementation of the above strategy and procedures is the responsibility of the Section 151 Officer, who is authorised to arrange the necessary borrowings within the limits set out in the Prudential Indicators, and necessary investments as set out in the investment strategy.

Northumberland County Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet.

The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

There are no proposed changes to this methodology.

10.2. Treasury Management Practices (TMPs)

Treasury Management Practices (Annex 3) set out the manner in which the Council will seek to achieve the treasury management policies and objectives. The Council has adopted the recommended form of words defining the Council's treasury management practices (TMPs), in compliance with CIPFA's Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities. These set out the specific details of the systems to be employed and the records to be maintained.

These practices are as follows:

- TMP1 Credit and Counterparty Risk management
- TMP2 Best value and performance measurement
- TMP3 Decision-making and analysis
- TMP4 Approved instruments, methods and techniques
- TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6 Reporting requirements and management information
- TMP7 Budgeting, accounting and audit arrangements
- TMP8 Cash and cash flow management
- TMP9 Money laundering
- TMP10 Training and qualifications
- TMP11 Use of external service providers; and,
- TMP12 Corporate governance.

There are no proposed changes to these practices, other than the inclusion of three further companies for potential money broking services – Imperial Treasury Services Ltd, Munix Ltd and RP Martin Ltd (see Annex 3, section 11.1.2).

10.3. Responsible Officers

Daily treasury management activities will be undertaken by a Senior Accountant within the Corporate Finance team, as set out in TMP5. If they are absent a Principal Accountant within the Corporate Finance team will undertake these activities.

The three annual Treasury Management reports submitted to Cabinet and Council will be produced by the Technical Accountant.

The Finance Manager will ensure all treasury management activities are made in accordance with agreed policies and practices.

10.4. Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury

management. This especially applies to members responsible for scrutiny. Members received training in October 2018 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed. Each officer concerned will receive appropriate training and guidance on their duties and the constraints within which they operate.

10.5. Reports and Monitoring

To ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities, reports need to be submitted to full Council which need to be reviewed by Members of the Council in both Cabinet and Scrutiny functions.

The adequacy of the strategy statement will be monitored and reports requesting amendments to the statement will be produced when changes are thought to be necessary. The changes will be made in consultation with the Cabinet Portfolio Holder for Corporate Services, whose role relates to the strategy and associated risks. Any strategy changes will be reported to the Audit Committee.

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The following reports are required to be adequately scrutinised by Audit Committee before being recommended to the Council:

Treasury Management Strategy Statement

The first, and most important report covers:

- the capital plans (including prudential indicators),
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time),
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and,
- an investment strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report

This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury activity is meeting the strategy or whether any policies require revision.

An Annual Treasury Report

This provides details of prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

It is proposed that the Council follow reporting arrangements in accordance with the requirements of the revised Treasury Management Code of Practice.

Area of Responsibility	Council/ Committee/ Officer	Frequency
Scrutiny of Treasury Management Strategy	Audit Committee or Risk Appraisal Panel	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy and Treasury Management Practices	Cabinet / Full Council	Annually before the start of the year
Annual Treasury Outturn Report	Audit Committee / Full Council	Annually by 31 July to Audit Committee and 30 September to Full Council
Treasury Management Budget Monitoring Reports	Incorporated within the Budget Monitoring report to Cabinet	Quarterly
Scrutiny of treasury management performance	Audit Committee	As required
Updates or revisions to Treasury Management Strategy / Annual Investment Strategy / MRP policy	Audit Committee / Cabinet / Full Council	Ad- hoc

The policies and strategies set out in this document will ensure that the management and administration of treasury management will be robust, rigorous, disciplined and help minimise risk.

The procedures for monitoring treasury management activities through audit, scrutiny and inspection will be applied with an openness of access to information and provide well-defined arrangements for review and implementation of changes.

Background Papers:

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance notes 2017.

CIPFA Prudential Code for Capital Finance in Local Authorities 2017.

Guidance on Local Government Investments The Local Government Act 2003.

Local Authorities (Capital Finance and Accounting) Regulations 2012 (S.I.2012/265).

List of Appendices

Annex 1 – Economic Forecasts

Annex 2 – Credit and Counterparty Criteria Policy

Annex 3 – Treasury Management Practices

Appendix 13 – Capital Strategy

Appendix 16 – Prudential Indicators

Appendix 17 – Minimum Revenue Provision Policy

LINK ASSET SERVICES	End Q3 2021	End Q1 2022	End Q2 2022	End Q3 2022	End Q4 2022	End Q1 2023	End Q2 2023	End Q3 2023	End Q4 2023	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%
3 ave earnings	0.30%	0.40%	0.50%	0.50%	0.50%	0.60%	0.80%	0.90%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
6 ave earnings	0.40%	0.50%	0.60%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
12 ave earnings	0.50%	0.60%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
5 year PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10 year PWLB	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.40%
25 year PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.70%	2.70%
50 year PWLB	1.90%	2.00%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%

CREDIT AND COUNTERPARTY CRITERIA POLICY

The Council recognises the need for security of principal to be of paramount importance. In recognition of the need to minimise risks associated with its treasury management activities, credit rating criteria, as outlined below will be used to select counterparties with whom the Council will place funds. Treasury management staff will analyse all counterparties prior to investing funds.

Specified Investments

Type of Organisation	Minimum Credit Rating Criteria		Max Amount of Principal	Max Period
	Fitch	Moody		
UK Local Authorities (Including the North East Combined Authority)	N/A	N/A	Unlimited	15 years (with annual calls)
DMO	N/A	N/A	Unlimited	6 months
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	Unlimited	12 months
Semi-nationalised banks	N/A	N/A	£35m per bank £70m per banking group	12 months
Money Market Funds: Public Debt Constant Net Asset Value ("CNAV") MMFs and Low Volatility NVA ("LVNAV") MMFs	AAA	Aaa	£25m per fund (£150m in total)	Instant Access
Deposits and Certificates of Deposit with approved eligible financial institutions which meet the following criteria				
Very High Grade U.K. Clearing Banks / Building Societies	ST: F1+ LT: AA-	ST: P-1 LT: Aa3	£25m £50m per banking group	12 months
High Upper Medium Grade U.K. Clearing Banks/ Building Societies	ST: F1 LT: A-	ST: P-1 LT: A3	£15m £30m per banking group	12 months
High Grade Foreign Banks – minimum sovereign rating of AA	ST: F1 LT: A-	ST: P-1 LT: A3	£10m Country limit £30m	6 months

Non-specified Investments

No more than 25.00% of the total investment portfolio will be placed in non-specified investments.

Type of Organisation	Minimum Credit Rating Criteria		Max Amount of Principal	Max Period
	Fitch	Moody		
UK Local Authorities (Including the North East Combined Authority)	N/A	N/A	Unlimited	15 Years
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	Unlimited	15 Years
Enhanced Cash Funds (Variable net asset value)	AAA	Aaa	£15m per fund (£60m in total)	30 (1) days notice
Deposits or Corporate Bonds with institutions which meet the rating criteria.	ST: F1 LT: A-	ST: P-1 LT: A3	£10m per institution	5 Years
Deposits or Corporate Bonds with institutions which meet the rating criteria.	ST: F2 LT: A-	ST: P-2 LT: A3	£5m per institution	12 months
Good, Medium grade, moderate credit risk	ST: F2 LT: BBB	ST: P-2 LT: Baa1	£10m per banking group	6 months
Building Societies which have assets in excess of £10 billion	N/A	N/A	£12m per Building Society	12 months
Building Societies which have assets in excess of £5 billion	N/A	N/A	£10m per Building Society	6 months
Building Societies which have assets in excess of £1 billion	N/A	N/A	£5m per Building Society	3 months

Ratings determine limits except for nationalised, semi-nationalised and local authorities.

Unrated subsidiaries can be used providing there is an unconditional guarantee from a rated parent.

Rating Symbols

Gradations of creditworthiness are indicated by rating symbols, with each symbol representing a group in which the credit characteristics are broadly the same.

Moody - The Moody's rating scale runs from a high of Aaa to a low of C and comprises of 21 notches. It is divided into two sections: investment grade and speculative grade. The lowest investment grade rating is Baa3. The highest speculative grade rating is Ba1.

Fitch - The Fitch rating scale runs from a high of AAA to a low of D and comprises of 21 notches. It is divided into two sections: investment grade and speculative grade. The lowest investment grade rating is BBB. The highest speculative grade rating is BB. Thus, the use of credit ratings defines their function: "investment grade" ratings (international long-term 'AAA' - 'BBB' categories; short-term 'F1+' - 'F3') indicate a relatively low probability of default, while those in the "speculative" or "non-investment

grade" categories (international long-term 'BB' - 'D'; short-term 'B' - 'D') may signal a higher probability of default or that a default has already occurred.

Fitch Rating	Moody Rating	Risk
Long term ratings (maturities of one year or greater)		
Investment Grade		
AAA	Aaa	Highest rating, representing lowest level of credit risk
AA+, AA, AA-	Aa1, Aa2, Aa3	Very High grade, very low credit risk
A+, A, A-	A1, A2, A3	High (Fitch) Upper medium grade (Moody's), low credit risk
BBB	Baa1, Baa2, Baa3	Good, Medium grade, moderate credit risk
Speculative Grade		
BB+, BB, BB-	Ba1, Ba2, Ba3	Speculative elements, vulnerable to default
B+, B, B-	B1, B2, B3	Subject to high credit risk
CCC, CC+, CC, CC-	Caa1, Caa2, Caa3	Poor standing very high credit risk
DDD	Ca	Highly speculative, or near default
D+, D	C	Lowest rating, typically in default, little prospect for recovery of principal or interest
Short term ratings (maturities of less than one year)		
F1+	Prime-1 (P-1)	Superior ability to repay ST debt
F2	Prime-2 (P-2)	Strong ability to repay ST debt
F3	Prime-3 (P-3)	Acceptable ability to repay ST debt
B-D	Not Prime	Poor, risk of default

TREASURY MANAGEMENT PRACTICES – SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council. There are no changes to practices from last year.

1. TMP1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

The former Ministry of Housing, Communities and Local Government (MHCLG) issued Investment Guidance in 2010, and this forms the structure of the Council's strategy. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently and ensure that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes". This Council adopted the Code on 10 February 2010 and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs).

1.1. LIQUIDITY**1.1.1. Amounts of approved minimum cash balances and short-term investments**

The Treasury Management section shall seek to keep to a minimum the balance in the Council's main bank accounts at the close of each working day, in order to minimise the amount of bank overdraft interest payable and maximise the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

1.1.2. Standby facilities

The Council has several instant access Money Market Funds and call accounts, where monies can be invested or withdrawn as required on the same day.

1.1.3. Bank arrangements

The balance held in Barclays can be up to the limit stipulated in the Credit and Counterparty Criteria list. A transfer called a 'sweep' can be made between the Barclays main bank account and a Barclays interest bearing account. The overdraft limit is £500,000, with an annual fee of £2,500 and interest is charged at 2.00%. An unauthorised overdraft will be charged at 3.00%. The overdraft is assessed on a group basis for the Council's accounts

1.2. INTEREST RATE**1.2.1. Details of approved interest rate exposure limits**

Please refer to Prudential Indicators Appendix 4.

1.2.2. Trigger points and other guidelines for managing changes to interest rate levels

Please refer to the annual Treasury Management Strategy which will outline views for the year.

1.2.3. Minimum/maximum proportions of variable rate debt/interest

The maximum proportion of interest on borrowing which is subject to variable rate interest permissible is 50.00%.

The minimum proportion of interest on borrowing which is subject to variable rate interest permissible is 0.00%.

1.2.4. Minimum/maximum proportions of fixed rate debt/interest

The minimum proportion of interest on borrowing which is subject to fixed rate interest permissible is 50.00%.

The maximum proportion of interest on borrowing which is subject to fixed rate interest permissible is 100.00%.

1.2.5. Policies concerning the use of financial derivatives and other instruments for interest rate management**a) Forward dealing (agreeing to invest money at a future date):**

Consideration will be given to arranging forward deals, dependent upon market conditions. Any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs. The policy for the use of derivatives is clearly detailed in the annual strategy. All forward dealing should have the approval of either the Section 151 Officer or the Deputy Section 151 Officer in their absence.

b) Callable deposits: Callable deposits are permitted subject to approval from the Section 151 Officer.**c) LOBOS (borrowing under lender's option/borrower's option):** The use of LOBOs is considered as part of the borrowing strategy. Any money borrowed for periods in excess of one month must be approved by either the Section 151 Officer, the Deputy Section 151 Officer or a Finance Manager.**1.3. EXCHANGE RATE****1.3.1. Approved criteria for managing changes in exchange rate levels**

Exchange rate risk will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. Northumberland County Council rarely deals with foreign currency so an exposure to exchange rate risk will be extremely minimal.

On rare occasions where investments are not made in sterling, advice on the risk to exchange rate fluctuations will be sought from the Council's bankers and other professionals as necessary.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice. The unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity, unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

1.4. INFLATION

1.4.1. Details of approved inflation exposure limits for cash investments/debt

There is significant uncertainty with economic forecasts. Whilst short-term investment rates are expected to remain low, borrowing rates are expected to rise very gently. Inflation is expected to return to around 2.00%.

The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

1.4.2. Approved criteria for managing changes in inflation levels

Inflation both current and projected will form part of the debt and investment decision making criteria within both the strategy and operational considerations.

1.5. CREDIT AND COUNTERPARTY POLICIES

1.5.1. Criteria to be used for creating/managing approved counterpartylists/limits

- a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed.
- b) Treasury management staff will decide which counterparties to use in line with the strategy on criteria for selection of counterparties. Changes to the Credit and Counterparty Criteria List will be included in the annual report, mid year report, or where necessary an ad hoc report to Council.
- c) Credit ratings will be used as supplied from the following credit rating agencies:
 - Fitch Ratings;
 - Moody's Investors Services;
- d) Treasury Management Advisors provide a weekly update of all ratings relevant to the Council, as well as any changes to individual counterparty credit ratings. This information is accessible on line via Link Asset Service's website - Passport.
- e) No lending is allowed without prior approval.
- f) Subsidiaries that do not have a credit rating in their own right may be used if they are guaranteed by a highly rated parent company.
- g) The maximum value for any one investment transaction will be £35.000 million.
- h) Investment in the building society sector should be limited to 30.00% of the average annual investment balances.

1.5.2. Approved methodology for changing limits and adding/removing counterparties

Credit ratings for individual counterparties can change at any time. The Section 151 Officer is responsible for applying the credit rating criteria detailed in the

Treasury Management Strategy Statement for selecting approved counterparties.

The Section 151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria set out in the Treasury Management Strategy Statement. This is delegated on a daily basis to staff in the treasury management function.

1.6. REFINANCING

1.6.1. Debt/other capital financing maturity profiling, policies and practices

Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) The generation of cash savings at minimum risk.
- b) To reduce the average interest rate.
- c) To enhance the balance of the long-term portfolio (amend the maturity profile and /or the balance of volatility).
- d) To reduce the risk associated with the investment of surplus funds.

The Section 151 Officer has delegated authority to reschedule current long-term debt and to arrange the necessary borrowings within the following remit:

- a) The maximum amount of outstanding borrowing shall be as stated in the prudential indicators.
- b) Within that sum the maximum amount of short-term borrowing is 25.00%.
- c) The limit on the proportion of borrowings on which interest is payable at variable rates is 50.00%,

The Council will seek to limit refinancing exposure by ensuring that no more than 25.00% of the loan portfolio matures in any one year.

1.6.2. Projected capital investment requirements

As part of the annual budget setting process a plan for capital expenditure for the Council is also produced. The capital plan will be used to prepare a three-year revenue budget for asset rentals which include loan charges for principal repayments, interest and expenses. These take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes.

1.6.3. Policy concerning limits on revenue consequences of capital financing

The Prudential Code supports local authorities in determining their Capital Programmes, within the clear framework that the plans are affordable, prudent and sustainable. To demonstrate that local authorities fulfil these criteria the Code sets out indicators that must be used.

A number of these Prudential Indicators are relevant to setting an integrated Treasury Management Strategy. The indicators are set on a rolling basis, for the forthcoming financial year and two successive financial years. Please refer to the prudential Indicators contained within Appendix 4.

1.7. LEGAL AND REGULATORY

1.7.1. References to relevant statutes and regulations

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:

- a) CIPFA's Treasury Management Code of Practice (revised 2009, 2011 and 2017)
- b) The Prudential Code for Capital Finance in Local Authorities 2003 (revised 2009, 2011 and 2017)
- c) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
- d) CIPFA Standard of Professional Practice on Treasury Management
- e) Local Government Act 2003 (revised 2010)
- f) The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- g) Council's Constitution relating to Contracts
- h) Council's Finance and Contract Rules
- i) Council's Scheme of Delegations
- j) The Bribery Act 2010

1.7.2. Procedures for evidencing the organisation's powers/authorities to counterparties

The Council will prepare, adopt, and maintain, as the cornerstone for effective treasury management:

- a) A Treasury Management Strategy Statement, stating the overriding principles and objectives of its treasury management activities; and,
- b) The Annual Investment Strategy.

1.7.3. Required information from counterparties concerning their powers / authorities

Lending shall only be made to counterparties which meet the criteria set out in the Credit and Counterparty Criteria List.

Northumberland County Council holds letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

1.7.4. Statement on the organisation's political legislative or regulatory risks

The Council recognises that future political, legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the authority.

1.8. FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT**1.8.1. Details of systems and procedures to be followed, including internet services****a) Authority:**

- Loan procedures are defined in the Council's Financial Regulations.
- The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by authorised persons within the Corporate Finance team.

b) Occurrence:

- Detailed register of loans and investments is maintained on Excel spreadsheets in the Corporate Finance section. This is reconciled to the ledger balance.
- Adequate and effective cash flow forecasting records are maintained to support the decision to lend, invest or borrow.
- Written confirmation is received from the lending, investment or borrowing institution
- All transactions placed through the brokers are confirmed by a broker note, showing details of the loan arranged.

c) Completeness:

- The loans register spreadsheet is updated to record all lending and borrowing. This includes the date of the transaction, interest rates etc.

d) Measurement:

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the senior accountant responsible for Treasury Management.
- A senior accountant calculates periodic interest payments of loans. This is used to check the amount paid to these lenders.

e) Timeliness:

- The Treasury Management spreadsheet prompts the treasury management officer that money borrowed or invested is due to be repaid.

f) Regularity:

- Investments and loans are only made to institutions which meet the Credit and Counterparty Criteria List.
- All loans and investments raised, and repayments made go directly to and from the Council's bank account.
- Authorisation limits are set for every institution by the Credit and Counterparty Criteria List. Brokers have a list of named officials authorised to perform investment transactions.
- There is adequate insurance cover for employees involved in loans management and accounting.
- There is a separation of duties in the Section between the authorisation of transactions and their execution.
- The bank reconciliation is carried out monthly from the bank statement to the financial ledger by a senior accountant and checked by a Finance Manager.

g) Security:

- Barclays Net can only be accessed by users using their individual security card and PIN through a card reader.
- Payments are checked and authorised by an agreed bank signatory. The list of signatories having previously been agreed with the current provider of our banking services.

h) Substantiation:

- A quarterly reconciliation is carried out matching transactions from the treasury management spreadsheets to the financial ledger codes.

1.8.2. Emergency and contingency planning arrangements

Barclays Net online can be accessed on a number of PCs and mobile devices which have the necessary software installed. All spreadsheets are held on the shared drive and therefore can be accessed by other PCs if necessary. If Barclays Net cannot be accessed cash balances can be obtained from Barclays Bank via e-mail. CHAPs payments, which are normally input directly into Barclays Net by the income section, can be faxed, emailed or delivered to the bank for processing.

1.8.3. Insurance details

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. The excess for Fidelity guarantee is £5,000. The Council also has a 'Professional Indemnity' insurance

policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5 million (named departments) for any one event with an excess of £25,000 for any one event with the exception of legal services where the limit is £1,000,000 with an excess of £1,000 for any one event.

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich Municipal.

1.9. MARKET VALUE OF INVESTMENTS

1.9.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDS etc.)

In order to minimise the risk of fluctuations in the capital value of investments, capital preservation is set as the primary objective.

2. TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1. METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

Northumberland County Council is a member of the CIPFA and Link Asset Services benchmarking clubs. Comparisons will be made with a number of similar authorities. The Council's treasury management consultant will carry out a regular health check of the treasury management function.

2.2. POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT

2.2.1. Frequency and processes for tendering

Tenders are normally awarded on a five-yearly basis. The process for advertising and awarding contracts will be in line with the Council's Financial Regulations.

2.2.2. Banking services

Banking services will be tendered for every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3. Money-broking services

The Council will use money broking services in order to make deposits or to borrow and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both price and quality of services.

2.2.4. Advisers' services

This Council's policy is to appoint professional treasury management advisors.

2.2.5. Policy on External Managers (Excluding Superannuation Funds)

The Council's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

2.3. METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

Performance is measured against Annual Treasury Management Strategy Statement targets.

- a) Compliance with CIPFA Code of Treasury Practice.
- b) Expenses contained within approved budget.
- c) Review of benchmarking club data.

2.4. BENCHMARKS AND CALCULATION METHODOLOGY**2.4.1. Debt management**

- a) Average rate on all external debt.
- b) Average period to maturity of external debt.
- c) Average rate on external debt borrowed in previous financial year.

2.4.2. Investment

The performance of in-house investment earnings will be measured against 7-day LIBID, (London Inter-Bank Bid Rate). Performance will also be measured against other local authority funds with a similar benchmark.

3. TMP3 DECISION-MAKING AND ANALYSIS**3.1. FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS / TECHNIQUES:****3.1.1. Records to be kept**

- a) All loan transactions are recorded in a spreadsheet.
- b) Daily cash projections.
- c) Telephone/e-mail rates.
- d) Dealing slips for all money market transactions – including rate changes.
- e) PWLB loan schedules.
- f) Temporary loan receipts.
- g) Brokers confirmations for deposits/investments.

3.1.2. Processes to be pursued

- a) Cash flow analysis.
- b) Maturity analysis.
- c) Ledger reconciliations
- d) Review of borrowing requirement.
- e) Comparison with prudential indicators.
- f) Monitoring of projected loan charges and interest and expenses costs.
- g) Review of opportunities for debt rescheduling.

3.1.3. In respect of every decision made the organisation will:

- a) Above all be clear about the nature and extent of the risks to which the organisation may become exposed.
- b) Ensure that decisions are in accordance with the approved Treasury Management Strategy.
- c) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorisations to proceed have been obtained.
- d) Be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping.
- e) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded.
- f) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.4. In respect of borrowing and other funding decisions, the organisation will:

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund, and repayment profiles to use.
- d) Consider the on-going revenue liabilities created, and the implications for the Council's future plans and budgets.

3.1.5. In respect of investment decisions, the organisation will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

4. TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**4.1. APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- a) Borrowing.
- b) Lending.
- c) Debt repayment and rescheduling.
- d) Consideration, approval and use of new financial instruments and treasury management techniques.

- e) Managing the underlying risk associated with the Council’s capital financing and surplus funds activities.
- f) Managing cash flow.
- g) Banking activities.

4.2. APPROVED INSTRUMENTS FOR INVESTMENTS

All investments will be made following the Approved Credit and Counterparty Criteria List.

Investments can be made through one of the following:

- a) The Council’s bankers.
- b) The SunGard Portal or other online portals.
- c) Direct with banks and financial institutions.
- d) One of the Council’s approved brokers shown in TMP 11.

All cash investments should be arranged by telephone call or e-mail to the above organisations and the borrower concerned will confirm each transaction. An authorised CHAPs payment form is then input into the Bank’s electronic system by the Cashiers section and confirmation given that the transaction has been completed.

Derivative instruments. If the Council intends to use these instruments for the management of risk, these will be limited to those set out in its Annual Treasury Management Strategy, and the council will seek proper advice and consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

4.3. APPROVED BORROWING TECHNIQUES

- a) Market loans including LOBOs
- b) PWLB
- c) Local authorities

4.4. APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	*	*
EIB	*	*
Market (long-term)	*	*
Market (temporary)	*	*

Treasury Management Practices - Schedules

Annex 3

Market (LOBOs)	*	*
Stock issues	*	*
Local temporary	*	*
Local Bonds	*	
Overdraft		*
Negotiable Bonds	*	*
Internal (capital receipts & revenue balances)	*	*
Commercial Paper		
Medium Term Notes	*	
Leasing (not operating leases)	*	*

Other Methods of Financing

Government and EC Capital Grants

Lottery monies

PFI/PPP

Operating leases

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Section 151 Officer has delegated powers in accordance with Financial Regulations, and the Scheme of Delegation to Officers Policy; and, the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

5. TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1. LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/POLICY BOARD LEVELS

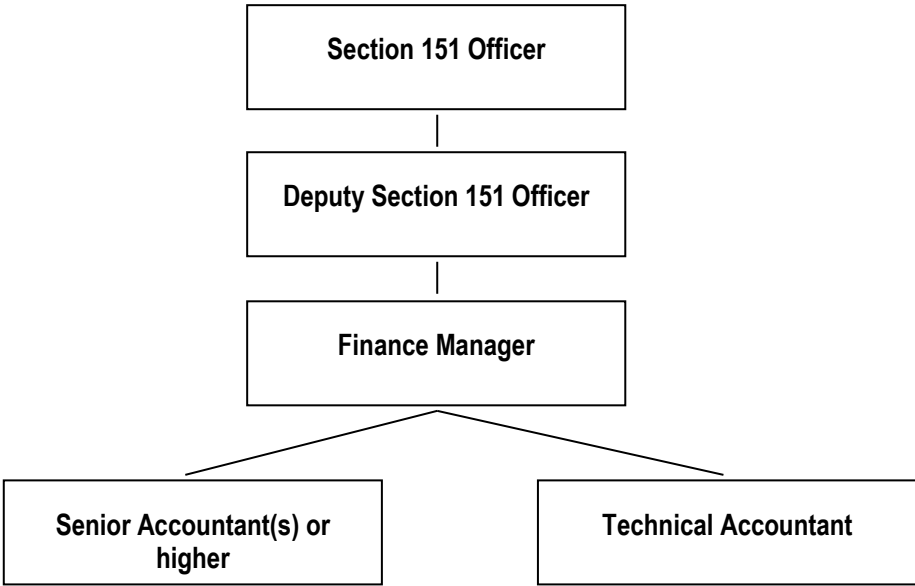
- a) Full Council will receive and approve reports on treasury management policies, practices and activities, the annual treasury management strategy and annual report on debt rescheduling.
- b) The Section 151 Officer will be responsible for amendments to the organisation's adopted clauses, treasury management strategy statement and treasury management practices. A formal report will be put to Cabinet to approve any formal amendments.
- c) The Section 151 Officer will approve the segregation of responsibilities.
- d) The Section 151 Officer will receive and review external audit reports and make recommendations to the Audit Committee.

- e) Approving the selection of external service providers and agreeing terms of appointment will be decided by the Section 151 Officer in accordance with Financial Regulations.

5.2. PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

- a) The Section 151 Officer will authorise all new long-term borrowing.
- b) Transactions relating to pre-existing agreements are delegated to the senior accountant responsible for treasury management.
- c) Short-term borrowing and investment are authorised by the Section 151 Officer, or, in their absence the Deputy Section 151 Officer, or a Finance Manager.

5.3. TREASURY MANAGEMENT ORGANISATION CHART



5.4. STATEMENT OF DUTIES/RESPONSIBILITIES FOR EACH TREASURY POST

5.4.1. Portfolio Holder for Corporate Services

- a) The Portfolio Holder for Corporate Services has primary political responsibility for Treasury Management strategy and will be regularly briefed on Treasury Management performance and proposed policy changes by the Section 151 Officer.
- b) The Portfolio Holder for Corporate Services has the right to recommend to the Section 151 Officer that a particular transaction should go to the Risk Appraisal Panel.
- c) The Portfolio Holder for Corporate Services may attend Audit Committee.

5.4.2. Section 151 Officer

The Section 151 Officer will:

- a) Recommend clauses, treasury management strategy / practices for approval reviewing the same on a regular basis, and monitoring compliance.
- b) Prepare treasury management strategy reports as required.
- c) Prepare budgets and budget variations in accordance with Financial Regulations and guidance.
- d) Review the performance of the treasury management function and promote best value reviews.
- e) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- f) Ensure the adequacy of internal audit, and liaison with external audit.
- g) Appoint external service providers in accordance with the Council’s Financial Regulations.

- h) Ensure preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- i) Ensure the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- j) Ensure that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- k) Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- l) Ensure the proportionality of all investments, so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- m) Ensure that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.
- n) Provide members with a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees, as appropriate.
- o) Ensure that members are adequately informed and understand the risk exposure taken on by an authority.
- p) Ensure that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- q) Produce Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
 - (i) Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.
 - (ii) Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.
 - (iii) Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.
 - (iv) Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.

- (v) Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.
- r) Have delegated power through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- s) May delegate his power to borrow and invest to members of his staff; the Deputy Section 151 Officer and Finance Managers. All transactions must be authorised by a named officer above.
- t) Ensure that the Strategy is adhered to, and if not will bring the matter to the attention of elected Members as soon as is possible.
- u) Prior to entering into any capital financing, lending or investment transaction, be responsible to ensure that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
- v) Be responsible to ensure that the Council complies with the requirements of The Non-Investment Products Code for principals and broking firms in the wholesale markets.

5.4.3. Senior Accountants responsible for treasury management

The responsibilities of this post will be:

- a) Monitoring performance and market conditions on a day-to-day basis.
- b) Recommend investments and borrowing transactions.
- c) Execution of transactions.
- d) Adherence to agreed policies and practices on a day-to-day basis.
- e) Maintaining relationships with third parties and external service providers.
- f) Identifying and recommending opportunities for improved practices.

5.4.4. Technical Accountant

- a) Review and recommend investments and borrowing transactions.
- b) Maintaining relationships with third parties and external service providers.
- c) Identifying and recommending opportunities for improved practices.
- d) Produce the annual Treasury Management Strategy, Capital Strategy, Outturn and Mid-year review reports.

5.4.5. Finance Manager

The responsibilities of this post will be:

- a) Line management of the Technical Accountant and Senior Accountant(s) responsible for treasury management.
- b) Review and recommend investments and borrowing transactions.
- c) Authorise CHAPs payments.
- d) Adherence to agreed policies and practices on a day-to-day basis.
- e) Maintaining relationships with third parties and external service providers.
- f) Monitoring performance on a day-to-day basis.
- g) Identifying and recommending opportunities for improved practices.
- h) Reviewing the annual Treasury Management Strategy, Capital Strategy, Outturn and Mid-year review reports.

5.4.6. Chief Legal Officer (in the role of monitoring officer)

The responsibilities of this post will be:

- a) to ensure compliance by the Section 151 Officer with the Treasury Management Strategy statement and treasury management practices and that these practices comply with the law;
- b) to be satisfied that any proposal to vary treasury strategy or practice complies with law or any code of practice;
- c) to provide advice to the Section 151 Officer when advice is sought.

5.4.7. Internal Audit

The responsibilities of Internal Audit will be:

- a) to review compliance with approved policy and procedures;
- b) to review division of duties and operational practice;
- c) to assess value for money from treasury activities;
- d) to undertake probity audit of treasury function.

5.5. ABSENCE COVER ARRANGEMENTS

In the absence of the Senior Accountant(s) responsible for treasury management, another accountant in the Corporate Finance section with treasury management training / experience will perform the daily cash flow tasks.

5.6. DEALING LIMITS

Persons authorised to deal are identified at 5.4. above and dealing limits are as the Scheme of Delegation for Officers.

5.7. LIST OF APPROVED BROKERS

A list of approved brokers is maintained and is shown in TMP11.

5.8. POLICY ON BROKERS' SERVICES

It is the Council's policy to divide business between brokers.

5.9. POLICY ON TAPING OF CONVERSATIONS

It is not Council policy to tape brokers' conversations.

5.10. DIRECT DEALING PRACTICES

The Council deals direct if appropriate contacts are established, and if it is advantageous to the Council.

5.11. SETTLEMENT TRANSMISSION PROCEDURES

For each transaction a CHAPs form is completed and signed by an agreed bank signatory. The transfer is then processed by Cashiers, through the Barclays on-line banking system. This is to be completed by 3.30 pm on the same day.

5.12. DOCUMENTATION REQUIREMENTS

For each deal undertaken details of dealer, amount, period, counterparty, interest rate, dealing date, payment date, broker, and credit ratings should be recorded. This should be reviewed and authorised in writing or e-mail by either the Section 151 Officer, the Deputy Section 151 Officer or a Finance Manager.

6. TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**6.1. ANNUAL REPORTING REQUIREMENTS BEFORE THE START OF THE YEAR**

- a) The Treasury Management Strategy statement and practices sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval before the commencement of each financial year.
- b) The Council must approve the Prudential Indicators.
- c) The Council must approve the Minimum Revenue Provision Policy.

6.2. REPORTING REQUIREMENTS DURING THE YEAR

- a) A mid year review of the strategy statement
- b) Any variations to the agreed Treasury Management policies and practices will be reported to the Council at the earliest practicable meeting

6.3. ANNUAL REPORTING REQUIREMENT AFTER THE YEAR END

An annual report will be presented to the Council at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. This report will include the following:

- a) Transactions executed and their revenue effects.
- b) Report on risk implications of decisions taken and transactions executed.

- c) Monitoring of compliance with approved policy, practices and statutory/regulatory requirements.
- d) Performance report.
- e) Report on compliance with CIPFA Code recommendations.

7. TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1. STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in England and Wales that is recognised by statute as representing proper accounting practices.

7.2. ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in England and Wales. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

7.3. SAMPLE BUDGETS / ACCOUNTS

The Senior Accountant(s) responsible for treasury management will prepare an annual budget for the treasury management function, which will bring together all the costs involved in running the function, together with associated income.

7.4. LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS

- a) Reconciliation of loans, investments, interest, premiums and discounts to financial ledger.
- b) Confirmation of loans and investments balances.
- c) Maturity analysis of loans outstanding.
- d) Annual Treasury Report.
- e) Calculation of Revenue Interest.
- f) Analysis of accrued interest.

8. TMP8 CASH AND CASH FLOW MANAGEMENT

8.1. ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

8.2. LISTING OF SOURCES OF INFORMATION

Estimated cash flow details are compiled using:

- a) Schedule of Payment of Revenue Support Grant and National Non-domestic rates; CLG income.
- b) Schedule of Payment of the Dedicated Schools grant from Department for Education (DFE);
- c) Revenue payments dates and amounts.
- d) Notifications from the Corporate Finance Team of any significant grants expected during the year.
- e) Schedule of payroll payment dates supplied by the Employee services section with an estimated amount based on the previous year's payments.
- f) Loan repayments spreadsheet.
- g) An estimated figure for creditor payments, based on previous patterns of expenditure. More accurate figures can be obtained two days before payment based on the Creditor BACs figure.

8.3. BANK STATEMENT PROCEDURES

Payments by CHAPs, Direct Debits, standing orders and imprest accounts are now input by Accounts Payable directly to e-business rather than by journal which gives greater transparency and segregation of duties.

8.4. PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

Our policy is to pay creditors within 30 days of the invoice date, and this effectively schedules the payments.

8.5. ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

- a) The Accounts Receivable section provides monthly statistics of outstanding debtors to Directors who take appropriate action regarding the outstanding debt
- b) The Accounts Payable section provides monthly statistics of invoice performance to Directors who take appropriate action.

8.6. PROCEDURES FOR BANKING OF FUNDS

All money received by an officer on behalf of the Council will without unreasonable delay be paid into the Council's bank accounts. No deductions may be made from such money save to the extent that the Section 151 Officer may specifically authorise.

9. TMP9 MONEY LAUNDERING**9.1. PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

The Council does not usually accept loans from individuals. All material loans are obtained from the PWLB, other local authorities or from authorised institutions under the Banking Act 1987: the Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website on www.fca.gov.uk.

9.2. METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS

In the course of its Treasury activities, the Council will only lend money to, or invest with, those counterparties that are on its approved lending list.

10. TMP10 TRAINING AND QUALIFICATIONS**10.1. STAFF QUALIFICATIONS**

The daily treasury management function will be performed by a qualified accountant or a senior accountant (unqualified) holding a Certificate in International Treasury Management Public Finance, under the supervision of a qualified accountant.

10.2. STAFF TRAINING

New staff will receive in-house on the job training before they commence their duties. Existing staff will attend treasury management seminars, at least annually, to keep up to date with changes in regulations and current practices. Additional staff training needs will be identified as part of the training needs analysis undertaken during Staff Appraisals.

10.3. THE SECTION 151 OFFICER

The Section 151 Officer is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

10.4. MEMBER TRAINING

All members should have an appropriate level of training within a year of taking office. Members of the Audit Committee received training in October 2018, and further training is expected to be delivered in 2022. This will be carried out in-house in conjunction with the Council's treasury management advisors.

11. TMP11 USE OF EXTERNAL SERVICE PROVIDERS**11.1. DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS****11.1.1. Banking services**

- i) Name of supplier of service is Barclays Bank plc. The branch address is:
38 Bridge Street
Morpeth
Northumberland
NE61 1NL
- ii) Initial contract commenced 1 June 2015.
- iii) The initial contract was for 5 years but has been extended until 26 March 2022 and is now currently out for tender.
- iv) Cost of service is variable depending on schedule of tariffs and volumes

11.1.2. Money-broking and Custodian services

Name of supplier of service:

- i) Sterling International Brokers Ltd
10 Chiswell Street
London, EC1Y 4UQ
- ii) ICAP Europe Ltd
2 Broadgate,
London, EC2M 7UR
- iii) Tullet Prebon (UK) Limited
155 Bishopsgate,
London, EC2N 3DA
- iv) Tradition (UK) Ltd
Beaufort House,
15 St Botolph Street,
London, EC3A 7QX
- v) King and Shaxson Ltd
Candlewick
120 Cannon Street
London, EC4N 6AS

- vi) Barclays Bank PLC
Barclays Stockbrokers,
Tay House,
300 Bath Street,
Glasgow, G2 4LH.
- vii) Link Asset Services
65 Gresham Street
London, EC2V 7NQ
- viii) BGC Brokers L.P.
One Churchill Place
London, E14 5RD
- ix) Imperial Treasury Services Ltd
5 Port Hill
Hertford, SG14 1PJ
- x) Munix Ltd
9 Ainslie Place

Edinburgh, EH3 6AS
- xi) RP Martin Ltd
1 Snowden St,
London, EC2A 2DQ

11.1.3. Consultants'/advisers' services

Treasury Consultancy Services

- i) Name of supplier of service is
Link Asset Services
65 Gresham Street
London
EC2V 7NQ
Website: www.linkassetservices.com
The current contract is for 3 years and expires October 2024.

11.1.4. External Fund Managers

None at present.

Other professional services may be employed on short term contracts as and when required.

11.2. PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

Tenders are normally awarded on a five-yearly basis. The process for advertising and awarding contracts will be in line with the Financial Regulations See TMP2.

12. TMP12 CORPORATE GOVERNANCE

12.1. LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

Annual Statement of Accounts

Annual Budget

Treasury Management Policy

Treasury Management Strategy

Annual Treasury Report



Northumberland County Council

CABINET

8 FEBRUARY 2022

APPROVAL OF REVENUES and BENEFITS POLICIES FOR 2022-23

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to update Members on the policies governing the administration of Revenues and Benefits and seek approval for the updates and amendments highlighted.

Recommendation

Cabinet to recommend County Council to approve the Revenues and Benefits Policies attached as Appendix 1 to Appendix 9

Link to Corporate Plan

Effective income collection and support for businesses and residents are critical to the overall objectives set out in the Corporate Plan. Efficient income and support management contributes to the availability of resources for deeper or wider service provision.

Key issues

1. There are a number of policies used by the Revenues and Benefits service in their day-to-day administration of council tax, business rates, housing benefit and council tax support and sundry debt.
2. Some of the policies are mandatory and guided by legislation and others have a discretionary element. The current policy details are highlighted below in paragraphs 14.
3. Some of the policy decisions have remained unchanged since the incorporation of the Council on 1 April 2009.
4. The policies are annually reviewed and updates and amendments approved. In previous years this has been included within the Budget and Council Tax setting report approved at County Council each February.
5. It has been necessary to amend the following policies for the 2022 financial year:

- Council Tax Discount Policy (see Appendix 2)
 - Rate Relief Policy (See Appendix 5)
6. The Council Tax Discount Policy (see Appendix 2) has been updated to include an £200 hardship payment for 2022/23. This will reduce the council tax liability for working age council tax support claimants by up to £200. This will take 13,958 out of council tax for 2022/23 and reduce the liability of 5,062 by the £200 payment.
 7. The Rate Relief Policy (See Appendix 5) has been amended to update the policy with schemes that the Government has introduced since the last update in February 2021 and a new scheme for 2022/23. The updates are for:
 - Nursery Relief Scheme 2021/22
 - Expanded Retail Relief Scheme 2021/22
 - Public Lavatories Rate Relief
 - Retail, Hospitality and Leisure Business Rate Relief Scheme for 2022/23
 9. All of the above amendments will result in additional relief being applied to the business rates account which will reduce the overall business rates liability.
 10. The Council Tax Support Scheme for 2022/23 is not included in this report as it was approved at County Council on 3 November 2021 as part of a separate process.

Background

11. The Revenues and Benefits service has a suite of policies that govern the collection and enforcement administration of council tax, business rates, housing benefit and sundry debt income.
12. Some of the policies have remained constant since the incorporation of the Council on 1 April 2009 and some have been amended due to changing legislation, introduction of new legislation, relief schemes or the granting of additional discretions.
13. The policies have traditionally been included as part of the budget setting report in February of each year but will now be a separate report for consideration. The policies were last approved at County Council as part of the Budget setting process on 24 February 2021.
14. A summary of each policy is provided below for information and where there are proposed changes details of the changes are highlighted below.

Caravans and Chalets Policy (see Appendix 1)

This policy is in respect of caravans/chalets on commercially rated sites that are occupied as a sole or main residence for council tax purposes. Council tax is reduced by any business rates payable by the taxpayer on receipt of an itemised invoice. A Class G exemption (occupation prohibited by law) will be granted for a period when the site has to close due to planning/licensing restrictions.

There are no proposed amendments to this policy.

Council Tax Discount Policy (see Appendix 2)

This policy sets out the treatment of local discretionary discounts, empty property (including empty home premiums of 100%, 200% and 300%), uninhabitable property, second homes for council tax and care leavers.

The policy had been amended to reflect the COVID Hardship Fund payments of up to £150 awarded to working age council tax support claimants in 2020/21 and up to £300 for 2021/22. The policy has been updated for the 2022/23 financial year to introduce a hardship payment up to a maximum of £200 per working age council tax support claim under S13A (1)(c) of the Local Government Finance Act 1992.

Corporate Debt Policy (See Appendix 3)

This policy details the Council's coordinated approach to the billing, collection and recovery of monies due to the Council for council tax; business rates; rent, housing benefit/council tax benefit and support overpayments, sundry debt for council services and overpaid salaries and wages.

The policy consists of a number of separate annexes:

- Annex 1 **Council Tax and NNDR Recovery Policy** – sets out the recovery action taken to recover unpaid liabilities. No amendment has been made to this annex.
- Annex 2 **Council Tax and NNDR Court Costs and Fees Policy** – provides a uniform scale of costs at each recovery stage. No amendment has been made to this annex;
- Annex 3 **Housing and Council Tax Benefit/Support Overpayments Policy** – sets out the policy for the administration and recovery of overpayments. No amendment has have been made to this annex;
- Annex 4 **Methods of Payment Policy** – sets out the range of payment methods available to customers. No amendment has been made to this annex;
- Annex 5 **Write Off Policy** – sets out the framework for writing off debts. No amendment has been made to this annex;
- Annex 6 **Sundry Debt Policy** – covering the recovery all collectable sundry debt. No amendment has been made to this annex;
- Annex 7 **Statutory and Chargeable Debt Policy** – sets out the approach to debt arising from the Council carrying out its statutory duties/enforcement functions. No amendment has been made to this annex;
- Annex 8 **Overpaid Salaries and Wages Policy** - sets out the approach to the recovery of salary overpayments. Minor wording changes have been made to this annex;

- Annex 9 **Bankruptcy Policy** - ensures that the Council's use of bankruptcy is consistent and complies with the relevant legislation and best practice. No amendment has been made to this annex;
- Annex 10 **Enforcement Agent Code of Practice for Council Tax and NNDR** – sets out the way that internal enforcement agents or external enforcement agent companies collecting local taxation debts on behalf of the Council will conduct themselves. No amendment has been made to this annex;
- Annex 11 **Housing Income Management Policy** – sets out the policy for the prevention of housing arrears, the rent arrears escalation procedure, recovery of former tenant arrears and write offs. Minor wording changes have been made to this annex;

The policy has had some minor wording amendments carried out to Annex 8 and 11 but these minor amendments do not make changes to the actual policy intentions.

Discretionary Housing Payment Policy (See Appendix 4)

This policy sets out the Council's approach to operating its Discretionary Housing Payment scheme. The primary aims of the policy are to prevent homelessness, to alleviate housing need, and to ensure that Northumberland residents have fair and equal access to all services and monies to which they may be entitled by virtue of their situation.

There are no proposed amendments to this policy.

Rate Relief Policy (See Appendix 5)

This policy applies to National, Non-Domestic Rates (Business Rates) and provides the framework under which mandatory and discretionary relief will be administered.

Rate Relief can be either mandatory, discretionary or both and is granted in accordance with the Local Government and Rating Act 1997 and the Local Government Finance Acts 1988 and 2012 (as amended).

The policy relates to awards concerning:

- Rural Rate Relief
- Charities and Not for Profit Organisations
- Hardship Relief
- Section 44A (relief on the grounds of part occupation)
- Supporting Small Business
- Business Rates Revaluation Relief
- Pub Relief:
- Newspaper Relief
- Retail Discount Scheme 2019/20
- Expanded Retail Discount Scheme 2020/21
- Nursery Relief Scheme 2020/21
- Local Discretionary Discounts.

The policy has been amended and updated to reflect the following:

- Extension of the Nursery Discount Scheme for 2021/22
- Extension of Expanded Retail Discount Scheme for 2021/22
- Public Lavatories Rate Relief
- Retail, Hospitality and Leisure Business Rate Relief Scheme for 2022/23

Under this policy the Chief Executive has delegated powers to implement new relief schemes introduced by Government in line with the required legislation and timetable. This policy will then be updated at the next annual review.

War Pensions and Armed Forces Compensation Disregard Policy (See Appendix 6)

The Housing Benefit Regulations 2006 make provision for the first £10.00 of income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme to be disregarded in any benefit assessment. The cost of this disregard is fully reimbursed to the Council.

The Social Security Administration Act 1992 gives the Council discretion to disregard any amount it chooses in addition to the statutory provision.

The policy has been in place since 2009-10 and the Council has taken advantage of this provision and fully disregarded income claimants receive from the War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Schemes when assessing entitlement to Housing Benefit/Council Tax Support.

There are no proposed amendments to this policy.

Counter Fraud Policy (See Appendix 7)

The policy sets out the Council's commitment to the prevention, detection and investigation of internal and external fraud and by working in partnership with other agencies reducing the incidence of crime and theft against the Council.

There are no proposed amendments to this policy.

Bribery and Corruption Policy (See Appendix 8)

This policy applies to all of the Council's activities and provides a framework to enable employees and members to understand and implement arrangements enabling compliance.

There are no proposed amendments to this policy.

Anti-Money Laundering Policy (See Appendix 9)

This policy sets out the obligations that impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

There are no proposed amendments to this policy.

Implications

Policy	The following policies have been amended: <ul style="list-style-type: none"> • Council Tax Discount Policy • Rate Relief Policy
Finance and value for money	The policies included in the report cover those in the Revenues and Benefits service that impact on the management of income and the support available for businesses and residents. The policies have an impact on the income contained within the 2022/23 budget.
Legal	Revenues and Benefits policies are subject to the relevant legislation and statutory instruments. The policy updates highlighted in this report are in line with those legislative requirements
Procurement	No implications
Human Resources	No implications
Property	No implications
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	EIA has not been carried out as the policy updates for the Rate Relief policy are introduced nationally by the Government. The hardship scheme introduced by the Council Tax Discount policy is in relation to surplus funding that had already been received and has enabled a scheme to be provided for 2022/23 from the residue left.
Risk Assessment	No implications
Crime & Disorder	No implications
Customer Consideration	The policy updates apply to businesses and residents of the County based upon an eligibility requirement for the particular schemes
Carbon reduction	No implications
Wards	All wards are affected by this proposal

Background papers:

County Council Report – 24 February 2021
County Council minutes – 24 February 2021

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Monitoring Officer/Legal	Helen Lancaster/Neil Masson
Service Director Finance & Interim S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Daljit Lally
Portfolio Holder(s)	Richard Wearmouth

Author and Contact Details

Graeme Barnes
Revenues and Benefits Manager
01670 624351
Graeme.barnes@northumberland.gov.uk



Northumberland County Council

Revenues and Benefits Service

Caravans / Chalets Council Tax Policy

Introduction

1. This Policy is in respect of caravans / chalets on commercially rated sites that are occupied as a sole or main residence.
2. A caravan / chalet on a commercially rated site can only be brought into council tax if it is occupied as someone's sole or main residence.
3. Information comes from various sources e.g. the individuals themselves, the Planning Department and anonymous information. Site managers are generally uncooperative when enquiries are made with them.
4. The Valuation Office Agency (VOA) will not reduce the rateable value of a commercially rated site because one pitch is de-minimus.

Policy Aims

5. There are consistent guidelines and procedures to follow.
6. To continue with policies at the former District / Borough Councils in Northumberland.
7. To ensure that caravan and chalet owners and occupiers are not taxed twice.

Policy

8. Whenever the Council receives information that a caravan / chalet on a commercially rated site is occupied as a sole or main residence it is reported to the VO to bring it into council tax.
9. Where an individual has signed an agreement with the site owner that they will not occupy a caravan / chalet as their sole or main residence, and it subsequently becomes evident that that is the case, the caravan / chalet will be brought into council tax.
10. The council tax is reduced by any business rates payable by the taxpayer on receipt of an itemised invoice.
11. A Class G exemption (occupation prohibited by law) will be granted for a period when the site has to close due to planning/licensing restrictions.



Northumberland

County Council

Revenues and Benefits Service

Council Tax Discounts Policy

Information

Section 13A of the Local Government Finance Act 1992 (LGFA 1992) (as amended) gives powers to enable billing authorities to reduce the amount of council tax liability, including reducing the amount to nil, for any individual taxpayer or group of taxpayers.

The Local Government Act 2012 (LGFA 2012) under Section 10 substitutes a new section 13A (1)(a) that provides that a person's liability for council tax is to be reduced in accordance with the Council's own council tax reduction scheme.

Section 13A (1)(c) is a re-instatement of the previous arrangements where discretion can be exercised in particular cases or by determining a class of cases and can reduce the council tax liability to nil.

Section 10 - Council Tax Support

Section 10 of the LGFA 2012 amends 13A (1)(a) of the LGFA 1992 and provides that a person's liability for council tax is to be reduced in accordance with the Council's council tax reduction scheme. The council tax support scheme for 2013/14 for the Council will be administered in line with the Government's prescribed requirements in **Statutory Instrument 2885/2012 The Council Tax Reduction Scheme (Prescribed Requirements) (England), and, 2886/2012 The Council Tax Reduction Schemes (Default Scheme)(England) Regulations 2012**. For 2014/15 onwards the Council Tax Support Scheme will be adopted annually in line with the consultation requirements prescribed.

Section 11 - Power to determine further discounts for certain dwellings

Section 11A of LGFA 2012 amends 11A of the LGFA 1992 and provides for the Council to determine its own discount for unoccupied and unfurnished property.

Statutory instrument 2965/2012 The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 removes the existing exemption for Class A and Class C so that from 1/4/13 they are no longer exempt from council tax:

Class A covered a 12 month period for a vacant property undergoing major repair work, or undergoing structural alteration, or having undergone either if less than 6 months had elapsed since the work was substantially completed.

Class C covered vacant property for a 6 month period or less.

Section 12 – Power to set higher amount for long-term empty property

Section 12 of LGFA 2012 amends 11B of the LGFA 1992 and provides that the billing authority can charge council tax liability up to 150% for property that has been empty and substantially unfurnished for more than 2 years by introducing an Empty Homes Premium (EHP). This section also allows the Secretary of State to make provision for exceptions by prescribing classes of property, taking into account the physical characteristics and circumstances and the circumstances of any person liable, where the Council will not be able to charge additional council tax.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent on 1 November 2018. The Act gave local authorities discretionary powers to:

- From 1 April 2019 - increase the EHP to a maximum of 100% for dwellings that have been unoccupied and unfurnished for two years or more.

- From 1 April 2020 - increase the EHP to a maximum of 200% for dwellings that have been unoccupied and unfurnished for five years or more.
- From 1 April 2021 - increase the EHP to a maximum of 300% for dwellings that have been unoccupied and unfurnished for ten years or more.

Statutory instrument 2964/2012 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 provide that a billing authority may determine that the council tax discounts applicable where there is no resident of the dwelling can be replaced by a lower discount or no discount at all from 1/4/13.

Second Homes

Second homes are defined as properties that are unoccupied and furnished. There are 2 classes:

Class A – second homes where occupancy is restricted by a planning condition preventing occupancy period of at least 28 days.

Class B - second homes where occupancy is not restricted by a planning condition preventing occupancy for a continuous period of at least 28 days.

From 1/4/13 billing authorities can reduce or end the existing discount.

Empty Property

Statutory instrument 2964/2012 provides that the Council can decide what percentage of council tax to charge in relation to these 2 classes of dwelling instead of the exemption up to the full amount:

Class C - dwellings which are unoccupied and substantially unfurnished.

Class D - dwellings that are unoccupied and substantially unfurnished and are undergoing, or have undergone within the last six months, major repairs but they will only fall into this class for a maximum period of 12 months.

Empty Homes Premium

Section 12 of LGFA 2012 amends 11B of the LGFA 1992 and provides that the billing authority can charge council tax liability up to 150% for property that has been empty and substantially unfurnished for more than 2 years.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent on 1 November 2018. The Act gave local authorities discretionary powers to:

- From 1 April 2019 - increase the EHP to a maximum of 100% for dwellings that have been unoccupied and unfurnished for two years or more.
- From 1 April 2020 - increase the EHP to a maximum of 200% for dwellings that have been unoccupied and unfurnished for five years or more.
- From 1 April 2021 - increase the EHP to a maximum of 300% for dwellings that have been unoccupied and unfurnished for ten years or more.

Statutory instrument 2964/2012 provides that Billing Authorities will not be able to charge the empty homes premium in the following circumstances:

Class E – where the dwelling would be the sole or main residence of a person but which is empty whilst that person resides in accommodation provided by the Ministry of Defence by reason of their employment (i.e. service personnel posted away from home)

Class F – where dwellings form an annexes in a property which are being used as part of the main residence.

War Widows

The Council Tax Benefit Regulations 2006 make provision for the first £10.00 of income for War Widows (Widowers)/War Disablement Scheme and Armed Forces Compensation Scheme to be disregarded in any council tax benefit assessment. Under the regulations Billing Authorities have discretion to fully disregard the remainder and current Council Policy is to disregard the remainder in full.

Under statutory Instrument **2886/2012 The Council Tax Reduction Schemes (Default Scheme)(England) Regulations 2012** the same provision for the first £10.00 to be disregarded for War Widows (Widowers)/War Disablement Scheme and Armed Forces Compensation Scheme under council tax support, however, there is no discretion to disregard the remainder.

Policy

The Council Tax Support Scheme for 2013/14 shall be in line with the requirements and provisions contained in Statutory Instrument's 2885 and 2886 of 2012. The Council Tax Support Scheme for 2014/15 onwards will be adopted annually in line with the consultation requirements prescribed.

The discretionary discount for all second homes is removed completely to nil in line with statutory instrument 2964/2012.

The discount for all Class C vacant properties is set to nil in line with statutory instrument 2964/2012 (this refers to property that would previously have fallen into the exemption Class C).

The discount for all Class D vacant properties is set to 100% for a maximum period of 12 months where the qualifying criteria for property undergoing, or, requiring major works/structural alterations is met in order to make the property habitable in line with statutory instrument 2964/2012.

An Empty Homes Premium equivalent to 150% of relevant council tax liability is charged in respect of empty and substantially unfurnished property subject to the restrictions in 2964/2012 under Class E and Class F applies from 1 April 2013 to 31 March 2020.

From 1 April 2020:

An Empty Homes Premium equivalent to 200% of council tax liability is charged to properties which have been empty and substantially unfurnished between 2 and 5 years.
--

From 1 April 2020, an Empty Homes Premium equivalent to 300% of council tax liability is charged to properties which have been empty and substantially unfurnished for 5 years or more.

From 1 April 2021, an Empty Homes Premium equivalent to 400% of council tax liability is charged to properties which have been empty and substantially unfurnished for 10 years or more.
--

Income from War Widows (Widowers)/War Disablement Scheme and Armed Forces Compensation Scheme in excess of the mandatory £10.00 will be disregarded from the assessment of income in line with Section 13A (1)(c)

Section 13A (1)(c) Policy

Under Section 13A (1)(c) of the Local Government Finance Act 2012 the Council can reduce the amount of council tax payable. This discretion can be exercised in particular cases or by determining a class of cases and can reduce the council tax liability to nil.

1. War Widows

Under this power all income from War Widows (Widowers)/War Disablement Scheme and Armed Forces Compensation Scheme in excess of the £10.00 will be disregarded from the assessment of income in line with former arrangements. The cost of granting this class of local discount will fall upon the Council.

2. Care Leavers

Under this power a council tax discount of up to 100% will be granted for care leavers residing in Northumberland up to their 21st birthday. The discount will apply from 1 April 2018 onwards and will be granted after all other discounts, exemptions and council tax support has been awarded. Where the care leaver has shared liability the discount for council tax will be awarded to cover their share of the liability.

For care leavers aged 21 and over each application will be considered on its merits.

Applications will need to be in writing setting out the reasons why relief is required. It is expected that taxpayers will have exhausted all other options before making an application.

COVID-19 hardship fund 2020-21

As part of its response to COVID-19, the Government announced in the Budget on 11 March 2020 that it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. The Council received £3.382 million.

The expectation was that the majority of the hardship fund will be used to provide council tax relief, alongside existing local council tax support schemes. The Government recognised that COVID-19 is likely to cause fluctuations in household incomes and recognises that, as a result, some individuals may struggle to meet council tax payments. Councils will already have established their local council tax support schemes for 2020-21.

The Government's expectation was that Councils will primarily use their grant allocation to reduce the council tax liability of individuals in their area. This would be done under their discretionary powers contained under S13A (1)(c) of the Local Government Finance Act 1992.

For the 2020/21 financial year this fund was used to reduce the liability for all working age council tax support claimants up to a maximum of £150.

COVID-19 hardship fund 2021-22

The Government announced further funding for the 2021-22 financial year. The Council received £4.578 million from the Local Council Tax Support grant for 2021-22. This funding will be used to reduce the liability for all working age council tax support claimants up to a maximum of £300.

COVID-19 hardship fund 2022-23

From the surplus of funding received in 2020-21 and 2021-22 financial years the Council will use the remaining funds to reduce the council tax liability for all working age council tax support claimants for the 2021-22 financial year up to a maximum of £200.

Decisions and Appeals

The decision to adopt any further classes of dwellings is delegated to the Executive Director of Finance in conjunction with the Portfolio Holder.

Decisions on individual applications for a discount under Section 13A (1)(c) to reduce council tax liability is delegated to the Revenues Manager and Revenues and Benefits Manager.

Notification of a decision will be made by letter as soon as possible after the application has been considered.

Appeals against the Council's decisions will be considered upon receipt of a written request by the Executive Director of Finance.



Northumberland
County Council

Corporate Debt Recovery Policy

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1. Introduction

This document details the Council's policies on the billing, collection and recovery of monies due to the Council.

Sums due to the Council can be a mixture of statutory and non-statutory charges. The methods for billing and recovery of the statutory debts are tightly prescribed by statute. Our recovery practices must take account of this diversity.

This Policy sets out the general principles to be applied in relation to debt management across all services provided by the Council.

The management of income is a key business area for the Council. The Council collects income from many streams; some of this activity is governed by legislation while others by sound principles of financial management. The key to economic, efficient and effective income management is the creation and maintenance of a clear framework that sets out the approach, principles and strategy within which all activities will be conducted.

It is essential that all monies due are collected effectively by the Council, and that debt owed to the Council is kept to a minimum. This is because the Council has both a legal duty and a responsibility to its citizens to ensure that income due is paid promptly. The Council may charge late-payment interest on debts or seek interest during recovery processes where it is lawful and appropriate to do so.

Effective income management processes are critical to the delivery of overall Council service objectives. A more efficient income management process contributes to the availability of resources for wider or deeper service provision. Every pound of income that is not collected or takes extra effort to collect leads to one or two potential outcomes namely:

- A resource is needed to be taken from the overall service budget to compensate for the cost of collection or non-collection
- Extra income will need to be found to compensate for the extra cost of collection or non-collection.

2. Aims

The aims of the corporate debt policy are to:

- Facilitate a coordinated approach to managing multiple debts owed to the Council.
- Identify, where appropriate, support which may be required to those owing money to the Council, and ensure circumstances are taken into consideration.
- Apply best practice to debt collection.

3. Scope of the Policy

This policy applies to the collection of:

- Council Tax
- Non-Domestic Rates (Business Rates / NNDR)
- Housing Benefit and Council Tax Benefit/Support Overpayments
- Sundry Debt (Council Services)
- Overpaid salaries and wages
- Housing Income

There are specific rules and regulations which govern the recovery and collection of these debts, and are set out in the respective Annexes.

4. Policies common to all types of debt

Every demand for money will be correctly addressed to the person who is liable to pay it. The name on the demand will be that of a person or body possessing “legal personality”.

Demands will, wherever possible, be issued as soon as practicable and, if possible, on the day of production.

The Council will attempt at all times to use the most appropriate and effective method of debt recovery in order to maximise income.

The Council will encourage the most cost effective payment methods with the emphasis being on unmediated electronic means where possible. “Unmediated”, in the context of electronic payment methods means a method of payment that requires no human intervention by Officers of the Council to achieve its crediting to the account in question.

Equality and diversity considerations will be taken into account in accordance with the Council’s Equal Opportunities Policy. Specifically staff seeking to recover debts will have regard to ensuring information is accessible through translations, larger print versions or sign language, as appropriate, to the needs of the debtor.

Where the potential for a statutory benefit or discount exists in relation to the debt, efforts will be made to make the debtor aware of such opportunities and they will be assisted and encouraged to apply for these.

All notices issued by the Council will comply with the corporate style guidance and be readily identifiable as being from the Council.

Where either national or local performance indicators exist the Council will strive for top quartile performance and will publish its actual performance against these targets annually. Progress reports will be made available at regular intervals during the year to the Executive Management Team and Corporate Services and Economic Growth Overview and Scrutiny Committee.

The Council welcomes the involvement of welfare agencies where authorised by the debtor in connection with debts due to the Council, and recognises the benefits that these organisations can offer both the debtor and the Council in prioritising repayments to creditors and in maximising income available to the debtor.

The Council supports the provision of advice from external agencies and will work in conjunction with them. These include Age UK, Citizens Advice Bureau (CAB) and Shelter.

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 come into force on 4 May 2021. The Council will ensure that recovery of qualifying debts is suspended for the relevant moratorium period as set out in the regulations and, where appropriate, will engage with a debtor’s debt advice provider regarding a moratorium debt or a debt solution in respect of the debtor.

In cases of multiple debts there must be close liaison between services. Multiple debts are where a debtor has significant debts in more than one service area, e.g. NNDR, council tax benefit/support and housing benefit overpayment. Such cases can present problems in determining the relative priority of the individual debts for both the individual concerned and the Officers preparing settlement.

In such cases Officers are expected to liaise and agree an appropriate means of coordinated recovery, which reflects these policy aspirations together with the need to balance repayment profiles across all debts due to the Council.

Cross service communication may arise on an ad-hoc basis where appropriate cases present themselves.

The Council recognises that prompt recovery action is key in managing its debt and maximising income. The Council therefore aims to:

- Regularly monitor the level and age of debt.
- Set clear targets for the recovery of debt.
- Have clear written recovery procedures.
- Set priorities for specific areas of debt and assess recovery methods to ensure maximum recovery.
- Regularly review irrecoverable debts for write-off.

All sundry debt accounts that are written off will initially be written off as a charge against the income code against which they are raised. At the year-end an adjustment will be made if any of the debt was already provided for as doubtful in the bad debt provision.

Where an external agency is procured to assist with the delivery of a service the flow of information between the Council and the agency must be in a secure electronic format.

Where legislation permits, the Council will seek to take control of goods and recover from the debtor any and all costs/fees that are legitimately due from the debtor to the Council or its agents. Only in exceptional cases, where it would not be in the public interest to pursue costs/fees, will they be waived.

5. Principles of Recovery

The Council will follow the principles outlined below.

- Our action will be **proportionate**
- Our approach will be **consistent**
- Our actions will be **transparent**

Additionally our intention will be to be firm and fair, and our manner will be courteous.

Proportionality – Proportionality allows for a balance to be struck between the potential loss of income to the Council and the costs of compliance.

Consistency – Consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council's aim is to achieve consistency in:

- The advice the Council gives.
- The use of its powers.
- The recovery procedures used.

The Council recognises that consistency does not mean simple uniformity. Officers need to take account of many variables such as:

- The social circumstances of the debtor.
- The debtor's payment history.
- The debtor's ability to pay.

Transparency – Transparency is important in maintaining public confidence. It means helping people to understand what is expected of them and what they should

expect from the Council. It also means explaining clearly the reasons for taking any recovery action.

Transparency is a key part of the Council Officer's role. If action is required, the reasons why must be clearly explained and time scales must be clearly stated. A distinction must be made between advice and legal requirements.

Communications should be in plain English, and large print with Braille or translated versions will be made available to customers upon request.

With the exception of Council Tax and NNDR, an opportunity must be given to discuss what is required to comply with the law before formal recovery action is taken. A written explanation must be given of any rights of appeal against formal recovery action either before or at the time the action is taken.

6. Hierarchy of Debt

Some customers will owe more than one debt to the Council, and may be on a low income or experiencing financial hardship. In such cases it needs to be clear which debts the Council considers a priority.

Priority will be given to debts where non-payment could lead to loss of the customer's home or imprisonment. These relate to Council Tax and Business Rates, which are most commonly enforced through the courts as per statutory requirements.

Other debts owed to the Council may, depending on the circumstances, be considered to be of lower priority.

7. Methods of Payment

The Council's preferred method of payment is Direct Debit. However, this does not prohibit accepting payment by other methods. Apart from Direct Debit, the Council accepts a range of payment types as appropriate to the debt type and size.

These include cash, cheque, credit and debit cards, standing orders and other electronic banking methods, such as online internet banking and touch tone telephone payments. See Annex 4 Methods of Payment Policy.

8. Write Offs

The Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is good practice. See Annex 5 Write Off Policy.

The Council will seek to minimise the cost of write-offs to the local Council Tax payers by taking all necessary action to recover what is due. All debts will be subject to the full collection, recovery and legal procedures as outlined in this policy. See Annex 1 Council Tax and NNDR Recovery Policy; Annex 3 Housing Benefit and Council Tax Benefit/Support Overpayment Policy, Annex 6 Sundry Debt Policy and Annex 11 Housing Income Management Policy.

Write off is only appropriate where:-

- the demand or invoice has been raised correctly and is due and owing; and
- there is a justified reason why the debt should not be pursued. See Annex 5 Write Off Policy.

Justified reasons

It is not possible to list every scenario which could make a debt suitable for write off. However, the following factors could be appropriate depending on the circumstances.

The advice of the Corporate Debt Team should be sought in determining whether a debt is suitable for write off. Some of the justified reasons are included below:

- The customer is insolvent and the Insolvency Practitioner has confirmed there is no dividend payable; these matters should be referred to the Corporate Debt Team as soon as an insolvency notification is received;
- The customer cannot be traced. The Corporate Debt Team should be consulted before applying for write off, as they have search engines and other methods to locate the absconded customer;
- The debt is uneconomical to pursue, or to pursue further. This may be based on more than one factor, such as the amount of the debt, the financial position of the customer and the cost of administrative and Officer time in pursuing the debt. If the debt is over £50 the Service should consult the Corporate Debt Team to determine whether the debt is economically viable to pursue;
- Administrative errors or loss of documentation. When a debt is referred to the Corporate Debt Team, under the Civil Procedure Rules, the Council is required to set out in detail the basis of the claim and enclose documentary evidence to back up the claim. If there is a lack of evidence it may not be possible to pursue the matter. The Service may wish to consult Legal Services on the position before referring the debt for write off;
- The debt is a contractual debt over 6 years old. Under the Limitation Act 1980, it is not possible to issue court proceedings in a contractual matter which is over 6 years old; however there are exemptions to this rule and the Services should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitation Act 1980.
- The Magistrates' Court has refused a committal application and remitted the debt.
- The Council has evidence to confirm the claimant is suffering a severe physical or mental illness, which renders recovery action inappropriate.
- The customer has died and there are no or insufficient funds in the estate to settle the debt

Please note Services will be required to confirm they have followed the normal debt recovery procedures before referring the debt for write off, and where the procedures are not followed an explanation will need to be provided.

Where debts have been referred to the Corporate Debt Team and it becomes impossible to recover the balance, the Corporate Debt Team will provide a memorandum to the instructing Service explaining the reasons why it is considered appropriate to write off the balance. The Corporate Debt Team can only recommend or agree to write off. It is the responsibility of the Chief Officer of each Service to complete the write off form and submit the request to the Corporate Debt Team in accordance with the procedures identified in this guidance note. All relevant correspondence relating to the debt must accompany the write off form.

Irrecoverable debts will be referred to the relevant Officer(s) or Committee, designated under the Council's Finance and Contract Rules at a pre-agreed frequency and in a pre-agreed format.

The limitations for writing off irrecoverable debts are those contained within the Council's Finance and Contract Rules.

The appropriate policy on the write off of a debt is detailed in the Annexes attached.

Annex 1

Council Tax and NNDR Recovery Policy

Introduction

1. Council tax is a tax levied on all eligible domestic dwellings. Non-domestic rates are a tax levied on eligible business properties. The amount of council tax levied is dependent on the council tax band that the property falls into and the amount of tax to be raised. The amount of non-domestic rates is dependent on the rateable value of the property and the nationally set rating multiplier.
2. The full rate of tax is liable to be paid unless the property, owner or occupier is eligible for a reduction or exemption. The main reasons for reductions include empty property discounts, Council Tax/benefit/support for residents on low income, disregards, single occupancy discounts and charitable relief.
3. Council tax and non-domestic rates are payable in line with a statutory instalment scheme or by agreement. There is a legal duty placed on the Council and its Officers to collect outstanding debts in accordance with the Council Tax (Administration and Enforcement) Regulations 1992 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended).

Policy Aims

4. The Recovery policy will ensure that:
 - The Council will bill, collect and recover all debts in an economic, effective and efficient manner in accordance with legislation and best practice.
 - All taxpayers and ratepayers are treated fairly and objectively.
 - Action taken will be fair and open, no-one will receive less favourable treatment because of their race, nationality, colour, ethnic or national origin, religious belief, gender, marital status, sexual orientation, age or disability.

Policy

5. The Council will bill, collect and recover all debts in an economic, effective and efficient manner in accordance with legislation and best practice.
 - Demand notices and adjustment notices will be issued in accordance with regulations.
 - A recovery timetable will be drawn up before the beginning of each financial year.
 - Reminders and final notices will be issued 14 days after an instalment has fallen due.
 - A summons to the Magistrates' Court may be issued if full payment has not been made in accordance with the previously issued notice.
 - If settlement is still not made an application will be made to the Magistrates to grant a Liability Order.
6. Following the grant of a Liability Order the debtor will be given an opportunity to make a suitable payment arrangement. Should the debtor not make or keep to a payment arrangement the following recovery action(s) can be taken. The recovery action(s) will be dependent on the circumstances of each individual case.
 - i. **Attachment of Earnings**
Deductions are made from the debtor's earnings at a rate determined by legislation.
 - ii. **Deductions from Income Support, Job Seeker's Allowance, Employment Support Allowance, Pension Credit or Universal Credit**
Deductions are made from the debtor's benefits at a rate determined by legislation.

- iii. **Taking Control of Goods – use of Enforcement Agents**
Enforcement Agents employed or engaged by the Council will be required to comply with the Enforcement Agent Code of Practice, Service Level Agreement(s) and the Tribunals, Courts and Enforcement Act 2007 and any other prevailing legislation at all times.
- iv. **Bankruptcy/Liquidation**
If sufficient assets exist to meet the outstanding debt the Council can petition for Bankruptcy/Liquidation.
- v. **Charging Orders**
An order placed on the debtor's property to secure the debt. County Courts are empowered to order the sale of the dwelling if the debtor does not pay.
- vi. **Committal**
The Council can make an application to the Magistrates' Court to instigate action that could ultimately result in the debtor being sent to prison for non-payment.
- vii. **Attachment of Allowances**
Deductions are made from Elected Members' Allowances.

The Council reserves the right to pursue the most appropriate of the above recovery methods depending on the specific personal and financial circumstances of the debtor.

- 7. A separate detailed recovery procedure document exists which can be viewed as a background paper to this policy document.
- 8. The Write Off and Costs Policies are attached as separate documents.

Annex 2

Council Tax and NNDR Court Costs and Fees Policy

Introduction

1. Considerable costs are incurred to recover sums due from defaulting council taxpayers and non-domestic ratepayers. The Council Tax (Administration and Enforcement) Regulations 1992 (as amended) and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended) empower the Council to recover reasonable costs from defaulters with the approval of the Courts.

Policy Aims

2. To provide a uniform scale of costs applicable at each recovery stage.
3. To ensure that the level of costs is reasonable.

Policy

4. The following scale of costs is applicable with effect from 1st April 2017.

Liability Orders and Committal Proceedings

Recovery Stage	Council Costs £	Court Costs £	Cost to Debtor £	Collectable £
Court Summons	49.50	0.50	50.00	49.50
Liability Order	50.00	Nil	50.00	50.00
Committal Summons/Warrant of Commitment	60.00	245.00	305.00	60.00
Warrant backed by bail	70.00	75.00	145.00	70.00
Warrant not backed by bail	70.00	75.00	145.00	70.00

NOTE: Arrest warrants executed by the Council's agents will be subject to a charge to the Council at different rates, depending on the agent's scale of charges and the location where the warrant is executed. Typical fees are:

Executing a warrant backed by bail	£125.00 + VAT
Executing a warrant not backed by bail	£175.00 + VAT

There may be instances where more than one warrant is required. This will affect the balance shown as collectable.

Bankruptcy Proceedings

The petitioning creditor's costs associated with bankruptcy proceedings are:

Fixed Costs (in accordance with the statutory scale of fees and charges currently in force).

£280.00	Court Fee – payable on filing of petition (non-refundable)
£990.00	Official Receiver's Deposit - payable on filing of petition (£940.00 is refundable if a petition is withdrawn or dismissed)

Typical Variable Costs (to be claimed in the bankruptcy)

£225.00	Expense in relation to preparation and service of Statutory Demand and preparation of Certificate of Service.
£350.00	Expense in relation to preparation and filing of Petition and Statement of Truth.
£180.00	Expense in relation to the Personal Service of the Petition.
£115.00	Expense in relation to preparation and filing of Certificate of Service.
£325.00	Expense in relation to preparation of papers for and attendance at Petition Hearing.
Variable	Actual costs incurred for additional matters e.g. Legal opinion, additional legal representation, attendance at additional hearings etc.

All costs may be claimed in the bankruptcy.

Charging Orders

Fixed Costs associated with Charging Orders are levied in accordance with the statutory scale of fees and charges currently in force. They are currently:

£110.00	Application Fee
£20.00	Online Land Registry Registration Fee
£4.00	Cost of Office Copy of Land Registry Entry
£110.00	Fixed costs that may be awarded by the Court

All costs are included in the Final Charging Order.

5. Council costs will be reviewed annually in line with budget setting. The Council has no discretion in the level of Court costs which are governed by legislation.

Annex 3

Housing Benefit and Council Tax Benefit/Support Overpayment Recovery Policy

Introduction

1. Overpayments of Housing Benefit and Council Tax Benefit/Support are established through a change in benefit entitlement. They are described as an amount of benefit that has been awarded but to which there is no entitlement under the regulations.
2. Accurate and prompt identification of overpayments is important to ensure that the incorrect payment of benefit is discontinued and to maximise the chances of successful recovery.
3. The Council recognises that to ensure there is minimal loss to public funds firm but fair action must be undertaken in the administration of Housing Benefit and Council Tax Benefit/Support overpayments.
4. Proactive action in the recovery of overpayments has a deterrent effect. However, the Council has a responsibility to act in accordance with all relevant legislation and regulations.
5. In all cases due regard will be given to the health and individual circumstances of the claimant to avoid causing unnecessary hardship.

Policy Aims

6. The policy will reflect best practice in the procedure for dealing with the administration and recovery of Housing Benefit and Council Tax Benefit/Support overpayments.
7. The policy will be flexible in its approach to the recovery of overpayments with each case treated on its own merits. The Council recognises that a policy which, for example, requires recovery in all cases or recovery is always made from specific categories of claimants is unlawful.
8. The policy has regard to the rights of individuals and the obligations of the Council under the provision of the Human Rights Act 1998.
9. The Council will:
 - take steps to minimise and prevent overpayments from occurring
 - identify the overpayment promptly
 - stop the overpayment from continuing
 - classify the overpayment correctly
 - determine if the overpayment is recoverable and if recoverable
 - determine from whom to recover
 - determine the most appropriate method of recovery
 - notify the claimant and other affected persons of the decision
 - implement effective financial control of the recovery process

The Policy

10. The policy will be applied in all cases where an overpayment of benefit has occurred, that is, any amount of Housing Benefit or Council Tax Benefit/Support which has been paid but to which there was no entitlement whether on initial decision or on a subsequent revised or superseded decision.

11. In most cases overpayments can arise as a consequence of:
 - payments made in advance
 - late disclosure of a change in circumstances
 - errors made by the claimant when completing an application form or review form
 - claimant error
 - official errors made by the Council or the Department for Work and Pensions
 - deliberate fraud
12. Official error overpayments are only recoverable if the claimant or the person from whom recovery of the overpayment is sought could reasonably have known that an overpayment was occurring at the time the overpayment occurred.

Prevention of Overpayments

13. Overpayments are often difficult and time consuming to administer. They can cause difficulties for claimants and their families as they try to manage on limited incomes. They are to be avoided where possible. This will be achieved by:
 - telling claimants how to avoid overpayments, with letters, in leaflets and during verbal communications
 - encouraging claimants to maintain contact with us
 - processing information quickly and accurately to minimise overpayments
 - offsetting any new or underlying entitlement

Identifying Overpayments

14. The Council will endeavour to act on any information received in relation to a claimant's change in circumstances within seven days of having received sufficient information to identify that an overpayment has or will be occurring.
15. This action will in the first instance include the suspension of further ongoing payments of incorrect benefit.
16. The Council will endeavour to identify any change in circumstances that would result in an overpayment still outstanding after seven days by:
 - undertaking a check of the Department for Work and Pensions records held on the Customer Information System (CIS) to identify whether entitlement to Income Support, Jobseeker's Allowance (Income Based) has ceased and if this information is not readily available on CIS by the sending of a benefits enquiry information letter
 - referring potential fraudulent overpayments to the Benefit Fraud team
 - ensuring that any post relating to the change in circumstances is collated and acted upon

Classification of Overpayments

17. The correct classification of overpayments is essential as, depending on the type of overpayment, the authority will receive a percentage of the overpayment back from the government by way of subsidy. A summary of the types of overpayments and percentage of subsidy allowed is shown at the end of this policy.
18. All overpayments must be correctly classified by an Officer of the Council who has had training to a sufficient standard to allow them to make decisions, which ensure the correct application of the law in the decision making process.
19. All Officers with responsibility for classifying an overpayment must record both the classification and their reasons for it on the benefit file.

Calculation of Overpayments

20. Where an overpayment has occurred the Council must invite claimants to provide sufficient information for any underlying entitlement to benefit for the overpayment period to be assessed.
21. The full amount of the overpayment should be recovered unless the health or financial circumstances of the person from whom recovery is being sought suggest a lesser amount would be appropriate.
22. In all cases the overpayment should be recovered as quickly as possible and normally no later than six years from the date recovery action is commenced.

Notification Letters

23. All notification letters must be dated and issued to all affected persons within fourteen days of the Council having made the decision.
24. The notification must include the reasons for the decision, the right to request a further statement and the time limit for doing so and the claimants appeal rights and the time limit for doing so.
25. Copies of the notification letter must be able to be reproduced in the event of an appeal, complaint or proceedings taken against the Council.

Decisions on Recoverability

26. In all cases where an overpayment has arisen the Council should consider whether an official error has caused or contributed towards the overpayment.
27. Where the Council has identified an overpayment, which was caused or contributed to by an official error, it should decide whether recovery of the overpayment is appropriate under the guidance issued by the Department for Work and Pensions.

Who Should the Overpayment be Recovered From

28. Before recovery action begins consideration will be given as to whom is the most appropriate person to recover the overpayment from. This may in certain cases mean that further information is required from the affected parties.
29. Recovery should then be made from the most appropriate persons who may be:
 - the claimant
 - the person to whom the payment of benefit was made
 - the person who misrepresented or failed to disclose the material fact
 - the partner of the claimant if the partner was living with the claimant at the time of the overpayment and at the time the decision to recover was made
30. In all cases where the overpayment was the result of proven fraud the overpayment should, in the first instance, be sought to be recovered from the person who misrepresented or failed to disclose a material fact.

Recovery of Overpayments

31. In all cases where recovery of an overpayment is sought the Council will have regard to its statutory duty to protect the loss from public funds but in doing so will have regard to:
 - the length of time the recovery of the overpayment may take
 - the effect of recovery on the affected person
 - the ability of the affected person to repay the debt

32. The Council may consider the method of recovery of an overpayment at any time for the purpose of effectiveness and efficiency in financial control.
33. Only if it becomes clear after all attempts at recovering the overpayment have become exhausted and there is no hope of recovery, or there are extenuating circumstances, shall the debt be recommended for write-off. In all cases, the Council's Finance and Contract Rules shall be adhered to.
34. Recovery should be suspended if a claimant appeals a decision until the appeal has been resolved.

Methods of Recovery

35. Overpayments of recoverable Council Tax Benefit/Support will result in an adjustment being made to the claimant's council tax account for the appropriate year. An amended bill will be issued and any unpaid monies will be subject to recovery action under the council tax regulations.
36. The most appropriate method of recovery for Housing Benefit Overpayments should be considered in all cases, including:
 - on-going deductions from further payments of Housing Benefit
 - deductions from other Department for Works and Pensions benefits
 - benefit debtor invoices
 - Direct Earnings Attachments
 - debits to the rent account where it is in credit
 - recovery from landlord
 - referral to an external debt collection agency (after all the above avenues of recovery are considered or exhausted)
 - applying to the County Court for a County Court Judgement (after all avenues of recovery are considered or exhausted). With a County Court Judgement (CCJ) further recovery actions can be taken, e.g. instructing enforcement agents or attaching the debtor's earnings.
37. In cases where an invoice has been issued a period of at least one calendar month should have elapsed before recovery action begins. This will allow time for the claimant to re-apply for benefit, which may identify an underlying entitlement to Benefit from which deductions may be taken to recover the overpayment, or for the claimant to register any appeal.
38. In cases where recovery from on-going benefit is sought the standard maximum rate of deduction as laid down by regulation should be applied unless the health or financial circumstances of the claimant suggest a more appropriate rate should be used. In all cases however a minimum amount of fifty pence per week Housing Benefit must remain in payment.
39. Recovery will be stopped when a bankruptcy order is made and the relevant debt will be included in the Council's claim in the bankruptcy. Where the overpayment is a result of fraud then recovery action may be resumed following discharge from bankruptcy.
40. Where the claimant is deceased an invoice will be sent to their executors or representatives to seek recovery from their estate.

Monitoring and Reporting Mechanisms

41. Monitoring of overpayments will be carried out in conjunction with the Council's Corporate Performance Management System.

Write Offs

42. Recovery of overpayments will be carried out as diligently as possible. However, if it becomes clear that there is no hope of recovery, or that there are extenuating circumstances the debt will be recommended for write off in accordance with the Write Off Policy. In all cases the Council's Finance and Contract Rules will be adhered to.

Additional Information

- Housing and Council Tax Benefit/Support Overpayment Classification Types
- Extract on Overpayments from 2007/08 DWP Subsidy Claim
- LA Error Subsidy Calculation (all authorities) 2007/08

Housing Benefit/Council Tax Support Overpayment Classification Types

Type of Overpayment	<i>Description</i>	<i>Subsidy Payable</i>
Local Authority Error	Local Authority (LA) error overpayments are those caused by a mistake, by an act or omission, by a LA when the claimant did not contribute to the mistake. These can result from incorrect information being extracted from a benefit claim, error in data input which result in the incorrect assessment of benefit or failure to act/act promptly on a notification of change in circumstances.	Subject to thresholds. The lower threshold is 0.48% of the total expenditure attracting full subsidy; the upper threshold is 0.54%. 100% subsidy will be payable if the level of error does not exceed the lower threshold. If LA error overpayments are greater than the lower threshold but do not exceed the upper threshold, then 40% subsidy is paid on the total LA error overpayments. If LA error overpayments exceed their upper threshold LA s receive nil subsidy on their LA error overpayments.
Claimant Error	An overpayment caused by the claimant or person acting on the claimants behalf or any person the benefit is paid to, failing to provide information in accordance with Housing and Council Tax Benefit/Support regulations and has not been defined as fraudulent.	40%
Fraud	An overpayment occurring as a result of a payment of HB or CTB arising from a breach of section 111A or 112 of SSAA1992 or a person knowingly failing to report a relevant change of circumstances with intent to obtain or retain HB or CTB either for themselves or someone else.	40%
DWP Errors (Departmental Official Errors)	An overpayment arising from a mistake, whether in the form of an act or omission made by an officer of the DWP, HMRC or a person acting for them.	Nil If recovered 100% if not recovered
Technical HRA	An overpayment when a rent rebate is credited in advance of entitlement for a particular period, where a change of circumstances or a recoverable overpayment causes that entitlement to be removed or reduced.	Nil

Annex 4

Methods of Payment Policy

Introduction

1. A number of payment methods are available to customers to pay the Council. To operate efficiently the Council needs to provide the same facilities to all residents and businesses.
2. The Council is committed to offer increased access to services and as such must offer different payment methods, but must do so consistently giving heed to the need to minimize the cost of collection.

Policy Aims

3. The Policy aims to:
 - Improve customer services through the range of payment methods.
 - Allow customers to make payments outside of office hours.
 - Standardise payment methods.
 - Enable efficiency savings through rationalisation.

Policy

4. The following methods of payment are offered/accepted (the list is not exhaustive):
 - Direct Debit (the preferred method)
 - Cash
 - Cheque/Postal Order
 - Debit card
 - Credit Card
 - Standing Order
 - BACS/CHAPS
 - Via the Internet or Touchtone telephone using a debit or credit card.
 - Using a bar-coded bill / invoice at any Post Office, Paypoint outlet or Council Customer Service/Information Centre
5. For sundry debts, a direct debit should, wherever possible, be set up against an invoice in advance of the service being provided.
6. Barcodes should be provided wherever possible on bills and invoices.
7. A de-minimis level will not apply for payments made by debit or credit card.
8. No extra fee will be charged to those customers paying by debit or credit card (the cost of this will be monitored and reviewed annually).
9. Instalment dates for council tax and non-domestic rates are as follows:
 - Direct Debit: 1st, 15th or 28th of the month commencing in April of any financial year. Customers can opt to pay in up to 10 or 12 instalments.
 - Non Direct Debit: 1st of the month commencing in April of any financial year in up to 12 instalments.

Annex 5

Write-Off Policy

Introduction

1. The Policy is in respect of council tax, non-domestic rates, housing benefit and council tax benefit/support overpayments, sundry debts and housing income.
2. An integral part of debt recovery is the effective management of irrecoverable debts to ensure that resources are applied efficiently to the collection of monies outstanding which can reasonably be expected to be collected.
3. It is good practice to identify and write off irrecoverable debts. This enables the Council to use resources to their maximum benefit.

Policy Aims

4. There are consistent guidelines and procedures to follow.
5. Provide a framework to write off debts once every possible recovery process has been exhausted.
6. Strike a balance between protecting the Council's financial position and making sure anti-poverty issues are addressed.
7. Write offs are carried out in accordance with the Council's Finance and Contract Rules in force at that time.

Policy

8. Debts will normally only be considered for write off where the account is "closed" (i.e. no recurring debt). Only in exceptional circumstances will amounts on "live" (i.e. on-going accruing debt) accounts be considered. Such cases must demonstrate that further recovery action will not achieve collection of the debt.
9. The effectiveness of the Policy will be measured against the Council's Performance Framework.
10. It is not possible to list every scenario which could make a debt suitable for write off. However, Appendix A shows the main reasons why debts become irrecoverable.
11. Advice should be sought from the Corporate Debt Team in determining whether the debt is suitable for write off.
12. The Council will record all write off decisions.

Appendix A

Reasons for Write Off

Absconded / No Trace	All reasonable attempts to find the debtor have failed.
Deceased	Insufficient or no funds in the Deceased's estate to pay the amount outstanding.
Debt "out of time"/ too old to recover	Debts over 6 years old where a liability order has not been granted (for council tax and NNDR), or no contact has been made and no payments have been received (in accordance with the Limitation Act 1980 (as amended) for Sundry Debt. However for certain Sundry Debts there may be exemptions to this rule and the Service should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitation Act 1980.
Uneconomical to pursue / pursue further	When all recovery processes have been tried or considered, or the cost of proceeding would be prohibitive.
Hardship	Each case taken on its merits.
Debt remitted by the Court	Magistrates have remitted the debt.
Bankrupt	The debtor is declared bankrupt and sums due as at the date of bankruptcy cannot be recovered.
Debt Relief Order (DRO)	The debt is included in a Debt Relief Order and cannot be recovered.
Company in Liquidation / Wound up / Dissolved / Struck off	The debtor is a Limited Company. The Company no longer exists as a legal entity and there is no means of recovering the debt.
Company in Administration	The company is being administered on behalf of its creditors and the Administrators have no legal responsibility for the accrued debts of the company.
Company Voluntary Arrangement (CVA)	The Company has entered into a voluntary arrangement with its creditors through an insolvency practitioner.
Individual Voluntary Arrangement (IVA)	The debtor has entered into an arrangement with creditors through an insolvency practitioner.
Non-recoverable housing benefit overpayment	Housing benefit has been overpaid but is not recoverable under the Housing Benefit Regulations 2006, 100(2) or the Housing Benefit (Persons who have reached the qualifying age for state pension credit) Regulations 2006, 81(2).

Annex 6

Sundry Debt Policy

1. Policy

- 1.1 This Policy shall be known as 'The Sundry Debt Policy' and covers the collection of customer accounts due to Northumberland County Council.
- 1.2 It is the Council's policy to recover all collectable debt owed to it and with this overall objective in mind this policy aims to:
- Maximise the collection of the Council's income
 - Reduce the time taken to raise invoices to within 10 days of the provision of service(s)
 - Reduce the time taken to collect charges
 - Reduce the level of debt owed to the Council and its provision for bad debts
 - Reduce the incidence of debt that cannot be collected
 - Focus the attention and improve education of Services to raise awareness of the importance of prompt debt recovery
 - Tackle any non-payment culture amongst customers.
- 1.3 This Policy supports these aims by:
- Promoting ownership of debts by service providers
 - Ensuring that, where possible, payment up front is received
 - Ensuring whenever possible that collection of the fee or charge involved takes place prior to the service being provided so that credit is only given when essential to do so
 - Promoting a system of credit control
 - Ensuring invoicing procedures are carried out on an accurate and timely basis
 - Requiring that evidence to support the invoice exists in the form of an official purchase order or other written agreement
 - Encouraging debtors to pay promptly,
 - Making collection and recovery activity more efficient by prioritising collection of larger debts
 - Creation of a corporate framework to enable efficient and effective income management
- 1.4 The Policy aim is to achieve the following rates of collection in terms of both numbers and value of invoices:
- 90% of invoiced debt to be collected within 35 days of the invoice being issued
 - 95% of invoiced debt to be collected within 60 days of the invoice being issued
 - The respective Service Manager will review each year the targets above.
 - The Council will publicise the fact that it has this policy and that it intends to pursue and enforce the collection and recovery of all debts owed to it.

2. Key Principles of Fees and Charges

- 2.1 The fee or charge imposed by the Council must be fair in relation to the goods and/or services provided and consistent with other Local Authorities.

- 2.2 The charge must reflect the principles outlined in the appropriate charging policy and in the Council's Finance and Contract Rules.
- 2.3 The charge must, depending on legislation, always cover the cost of providing goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service.
- 2.4 The charge should wherever possible be obtained in advance of the goods and/or services being provided.
- 2.5 The charge must be collectable i.e. sound supporting documentation must be available with timely access.
- 2.6 Fees and charges must be reviewed at least annually as part of the budget setting process.
- 2.7 There must be a clear and prompt billing and collection process.
- 2.8 There must be a clear and consistent council-wide approach to the giving of credit and the collection of debt that is led by this policy.
- 2.9 The debt will remain the responsibility of the Service in which it was raised and that Service will remain responsible for pursuing overdue debts. Where the Service is unable to secure payment then the Corporate Debt Recovery Team will escalate recovery action.

3. Responsibilities

- 3.1 Directors and Heads of Service must ensure that:
 - The Corporate Debt Recovery Policy is adhered to
 - The key principles of fees and charges are adhered to
 - The parts of this policy that apply to their Service areas are correctly followed
 - Specific attention is paid to prohibit the poor practise of raising large value invoices at the financial year end
 - They proactively support the achievement of corporate targets for debt collection
 - Budget Managers are fully aware of their responsibilities
 - Relevant systems and procedures are in place
 - Officers involved in the debt collection process are appropriately trained and are aware of their responsibility
- 3.2 Internal Audit will provide assurance that this Policy is adhered to and is effective.

4. Validation

- 4.1 The Service responsible for raising the invoice must ensure that the evidence of the service provided is fully validated and that the invoice is accurate and contains sufficient detail for both billing and recovery purposes.
- 4.2 The Corporate Debt Team will validate customer name and address details prior to invoices being raised, to reduce errors and avoid duplication. It is the responsibility of the originating Service to ensure that the correct billing details are collected. If incorrect details are entered for validation the request will be referred back to the originator and deleted from the system until correct details are supplied.

5. Invoicing

5.1 Services are responsible for the raising of invoices in respect of the goods and/or services they supply on credit. They must ensure that an invoice pro-forma is fully completed. All fields must be completed in full, including:

- Customer's full name(s)
- Customer's full address(es), including postcode(s)
- Customer's contact telephone number(s)
- Customer's email address
- Date of supply
- Purchase order number (where applicable)
- Full description of the service/goods provided
- Amount due
- VAT amount - see note 1 below
- Total due
- Financial code
- Originating Service
- Certification

This applies not only to their service but also when they are acting as an agent for another Group. In this latter case they should advise the relevant budget holder of the charge raised.

Note 1 Current rates of VAT are standard, reduced and zero. In addition some goods and services are exempt from VAT or out of scope. Officers should refer to the VAT manual on the intranet when deciding on the correct VAT treatment.

5.2 All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

- Individuals
- Sole Traders
- Partnerships
- Limited companies
- Charities limited by guarantee
- Clubs run by a committee
- Trustees
- Executors or Personal Representatives

Further information and rules to follow are detailed in Appendix 6a

5.3 Unless agreed otherwise by the Corporate Debt Team, an invoice must be raised within 10 working days of the goods and/or services being supplied. The Corporate Debt Team will monitor performance against this target.

- 5.4 An invoice should not be raised:
- For less than £50.00. For fees and charges less than £50.00 payment must be made prior to the goods or services being provided. However, this excludes legal charges (e.g. ground rent) and arrangements already in place.
 - Where the charge is not known in advance
 - If a purchase order or written agreement has not been received
 - When it cannot be proven that the goods and/or services have been supplied
 - When the amount due has previously been paid
 - Where an invoice for the same goods or service has already been raised.
 - To artificially enhance income targets.
- 5.5 All services must keep a copy of the invoice pro-forma, together with any supporting information, for a period of six years plus the current year.

6. Payment Methods

- 6.1 Invoices may be paid by any of the methods set out in Annex 4 - Methods of Payment Policy.

7. Credit Limits

- 7.1 For goods and/or services to be supplied and costing over £5,000 and where a payment up front cannot be obtained, a credit check must be run on all customers except those in the public sector. The Service must contact the Corporate Debt Team to carry this out.
- 7.2 Where possible, systems should be checked prior to the provision of a service.
- 7.3 Credit/Service provision must not be given to customers who previously have been consistently late payers or have not paid at all. Only the respective Head of Service can approve credit facilities where a customer has previous history of non-payment or late payment and such approval must be given in writing and retained until outstanding balances are paid in full.
- 7.4 Preferential credit limits must not be agreed for any customer.

8. Payment Terms

- 8.1 The Council will collect monies owing to it fully and promptly.
- 8.2 Payment terms may only be considered where the customer is not able to settle the debt in full in one payment. On receipt of an invoice a customer can request to make arrangements to clear the amount outstanding by way of weekly, fortnightly or monthly instalments. Payment should be made by direct debit wherever possible.
- 8.3 All requests from customers to enter into arrangements for payment must be referred to the Corporate Debt Team regardless of the amount. The Corporate Debt Team will set up and monitor all payment arrangements.

- 8.4 The Corporate Debt Team will withdraw payment terms if a debtor fails to honour the agreement entered into.
- 8.5 Where invoices are raised payment becomes due after 30 days (unless agreed otherwise).

9. Accounting Arrangements

- 9.1 Services will receive the credit when an invoice is raised.
- 9.2 Any third party fees or charges associated with recovering a debt will be charged to the Service.
- 9.3 Where debts cannot be recovered, the original credit will be debited from the Service budget by way of a write off; all write offs must be signed off in accordance with the Council's Finance and Contract Rules.
- 9.4 Refunds of any overpayments will be processed by the Corporate Debt Team via a Debit Memo only where there are no other debts owed to the Council by that customer. Should a customer have an outstanding debt then any overpayment will be off set after the customer has been informed. Credits of less than £1.00 will not be refunded.
- 9.5 Direct debit administration is carried out by the Corporate Debt Team. All rejections and cancellations are carried out by the Corporate Debt Team who will arrange to notify the Income Management Team and the appropriate individual Services.

10. Recovery

- 10.1 A reminder will be sent for all invoices unpaid usually after 1 day past the due date, i.e. day 33 after the invoice is raised.
- 10.2 If an invoice is unpaid after a minimum of 6 days past its due date (i.e. 36 days after the invoice is raised) a telephone reminder is made to the debtor by the Corporate Debt Team to recover the amount due.
- 10.3 If after a further 10 days the invoice is unpaid, a pre legal letter (letter before action) will be issued, and a request for the supporting information for legal action may be sent to the Service.
- 10.4 After a further 7 days if the invoice is still unpaid, the Corporate Debt Team may commence legal action.

Stage*	When	How
Reminder notice	33 days from date of invoice	Generated by the debtors system
Telephone reminder	36 days from date of invoice	List generated by the debtors system
Letter before action	46 days from date of invoice	Generated by the debtors system
Request for supporting information for legal action	On decision to take Court action	Manually generated Email to Service requesting proof of debt in 7 days
Legal action	On receipt of full	Legal action taken to recover

documentation from debt
Service

Note* these tasks will be performed by the Corporate Debt Team.

- 10.5 At any time after the issue of a reminder notice the Corporate Debt Team may refer the debt to a debt collection agency or, in the case of outstanding commercial rents where the debtor is still in occupation, the Corporate Debt Team may refer the debt to an enforcement agent to follow the Commercial Rent Arrears Recovery process (CRAR) as set out in the Taking Control of Goods Regulations 2013. Once a case has been referred to a debt collection agency or enforcement agent any payment arrangement the debtor enters into must be made directly with that agency unless the Corporate Debt Team agrees otherwise.
- 10.6 The Corporate Debt Team must attempt to trace any debtors who have absconded or use external agents to do so. Where an external agent is used, charges will apply to the originating Service for this work.
- 10.7 Recovery action may be halted at any part of the process if the debtor enters into suitable payment terms with the Corporate Debt Team to clear the debt by instalments within a reasonable timeframe.
- 10.8 Recovery action may be halted at any part of the process if the originating Service decides not to allow recovery for the good of the service. When this happens the originating Service must bear the cost. The Corporate Debt Team will arrange to raise a credit note to cancel the charge and will also recharge the Service for any fees and costs already incurred.
- 10.9 In cases of non-payment for on-going services withdrawal of non-statutory services must be initiated no later than the pre-legal letter stage (46 days) to prompt payment.
- 10.10 No further requests for goods or services should be actioned until outstanding debts are paid in full. Services must check the debtors system to confirm this.

11. Queries and Disputes

- 11.1 If a charge is disputed the Service must notify the Corporate Debt Team immediately to prevent the recovery process continuing. All disputes must be resolved by the Service within 90 days of the invoice being raised and the Corporate Debt Team notified of the outcome.
- 11.2 Where disputes are not resolved within this timeframe the Corporate Debt Team will raise a credit note to remove the debt from the system and notify the Service when this happens. The Service is then responsible for the re-raising of the invoice once the dispute is resolved, if appropriate.

12. Legal action

- 12.1 Where a debt collection agency or enforcement agent fails to collect the amount due or where a decision is made to pursue the debt in the County Court:

- 12.2 Single or multiple recoverable debts up to £5,000 will be considered for action through the County Court by the Corporate Debt Team, but only if the originating service can provide the necessary supporting documentation.
- 12.3 All recoverable debts over £5,000 will be considered for County Court action by the Corporate Debt Team, but only if the originating service can provide the necessary supporting documentation.
- 12.4 Failure to provide the necessary supporting documentation will result in the Corporate Debt Team raising a credit note to cancel the charge, and the loss of income will be met by the originating Service.
- 12.5 Where necessary, legal advice and representation will be sought by the Corporate Debt Team.

13. Credit Notes

- 13.1 There is a clear distinction between raising a credit note and writing off a debt.
- 13.2 A credit note to cancel or reduce a debt must only be issued to:
 - Correct a factual inaccuracy
 - Correct an administrative error
 - Cancel an invoice where a dispute has not been resolved in the specified time.
 - Adjust the amount of debt due
- 13.3 Where a credit note is submitted to correct a factual error the credit note will not be processed until the correct details are supplied for resubmission. Both actions will be carried out simultaneously to ensure prompt and accurate processing with a clear audit trail.
- 13.4 Credit note requests raised by Services must be made on the correct credit memo with a full written explanation of why a credit note is applicable. Credit notes will be reviewed during the Audit process to ensure that they are completed in accordance with this policy.

14. Write Offs

- 14.1 A review will be undertaken to assess the recoverability of debt outstanding at the year-end. The following factors will be considered in the review:
 - The type of debt;
 - How long it has been unpaid; and
 - The history of the debt since it was raised.

Where these factors suggest that the debt may not be recovered, a provision will be raised against the balance and a charge will be made against the service to more accurately reflect the financial position of the Council. In the event that the income is collected at a future date, an adjustment will be made to the service to reflect the recovery.

- 14.2 Write offs will be charged to individual service budgets.

- 14.3 Delegations and limits regarding write offs can be found in the Finance and Contract Rules which form part of the Council's Constitution.
- 14.4 A debt write off must not be used to by-pass the normal debt recovery procedure and therefore there will be internal monitoring of the revised policy to ensure write off is being used correctly.
- 14.5 Write offs can only proceed after consultation with the Corporate Debt Team.
- 14.6 A Write-Off Request Form must be completed for each write off explaining the reasons for the decision for write off and confirming that the debt recovery procedures have been followed
- The original Write Off Request form should be sent to the Corporate Debt Team who will suppress debt recovery in relation to the invoice to which the write off relates.
 - When a write off is approved the form will be signed and returned to the Corporate Debt Team to update the Sundry Debt system.
 - The Corporate Debt Team or any delegated officer who may authorise write-offs in accordance with the Council's Finance and Contract Rules may request further information from the originating Service to determine whether the debt is enforceable.
 - If the Corporate Debt Team or any delegated officer who may authorise write-offs in accordance with the Council's Finance and Contract Rules believes the justification for write off does not comply with the guidance procedures or an invalid reason is given, the form will be returned to the Service for reconsideration or amendment.
 - A centralised record of all write offs will be kept by the Corporate Debt Team to be accessible for monitoring purposes.

15. Monitoring

- 15.1 Information and reports will be used to monitor performance against targets and timescales set. Regular reports will be issued to each Service for them to review their outstanding debts.
- 15.2 The Corporate Debt Team is authorised to:
- Carry out the central monitoring of this policy,
 - Agree amendments to the policy for operational, efficiency and effectiveness purposes,
 - Report to the Chief Executive any major issues arising from the above.

16. Review

- 16.1 This Policy will be reviewed annually but may be amended at any time to incorporate new procedures, practices or legislative requirements.

Raising of Debtor Accounts to Legal Entities

All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

1. Individuals
2. Sole Traders

3. Partnerships
4. Limited companies
5. Charities limited by guarantee
6. Clubs run by a committee
7. Trustees
8. Executors or Personal Representatives

All invoices must state the full correct postal address, including postcode.

Rules to follow:

1. Individuals - This is usually someone living at a residential address. When a request is received for a service, the person's full name (title, forename(s) and surname) must be obtained and stated. Initials are not sufficient. If the request is on behalf of more than one person then the full name of each person must be obtained and stated. The full correct postal address, including postcode, must be stated.
2. Sole Traders – Where an individual is trading in his or her own name the full name of the individual as well as the business name must be obtained e.g. Mr John Smith, trading as Fast Removals. Evidence of the name of the business could be in the form of a request for services on a business letterhead. The individual's full postal address must also be requested.
3. Partnerships - 'LLP' must be added where applicable, otherwise the full names of one, two or more partners must be stated, followed by 'trading as' (as above). If LLP is applicable the full correct business address, including postcode, must be stated, otherwise the full correct postal address(es), including postcode of the partner(s) should be stated.
4. Limited Companies - the name must include 'Ltd' or 'Plc'. Invoices can be addressed to either the current registered office or to a place of business of the company. Evidence of their Limited Company Status and registered office must be obtained by requiring confirmation of the service request on their official letterhead. Further confirmation can be obtained from <https://www.gov.uk/get-information-about-a-company>
5. Charities limited by guarantee – companies which are charitable and also limited by guarantee can be exempted from using the term 'Ltd' so, for example: "Oxfam" is a correct name. Evidence of their charitable status must be obtained by requiring confirmation of the service request on their official letterhead. Further confirmation can be obtained from <http://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx>
6. Clubs run by a committee – the full name(s) and address(es) of the treasurer and / or the secretary, or the trustees must be stated.
7. Trustees – the full name(s) and address(es) of the trustee(s) and the full name of the trust must be stated.
8. Executors or Personal Representatives – must be addressed e.g. 'Mr Peter Smith, Executor of James Brown Deceased or 'Personal representatives of James Brown Deceased. The full postal address(es) of the executors/personal representatives must be stated.

Annex 7

**Statutory and Chargeable Debt
Policy**

1. Policy

This policy covers debt arising from the council carrying out its statutory duties and/or enforcement functions. A variety of legislation covers this debt and a number of examples are given below;

- Building Act 1984 – taking action to prevent injury or damage to property as a result of a dangerous structure
- Housing Act 2004 –works in default to remove hazards from rented accommodation.
- Water Industries Act 1991 testing of private water supplies.
- Highways Act, 1980 - Carrying out emergency repairs to the highway following an accident

Note: the above is illustrative and is not an exhaustive list.

2. Fees and charges for this debt

The nature of this debt generally requires invoicing to take place after the works have been carried out and frequently against those that dispute the debt. Thus, it does not often fit with the standard invoicing and sundry debt recovery approach.

Different approaches need to be considered to both secure the debt and if required, recover it.

3. Enforcement

In terms of enforcement, it is not always clear who is the responsible or liable person. Different legislation can identify different people, such as the person responsible for an issue, or the owner of the premises. People's circumstances will be different and their circumstances may change during a case; it is sensible therefore to take a flexible approach and keep available a range of options for recovering a debt.

Options available to recover debt include the use of debt collection agents and also Court proceedings to obtain a judgment for the debt. Once a Court judgment is obtained, there are a number of ways this may be enforced, including:

Attachment of Earnings

Deductions are made from the judgment debtor's wages at a rate determined by legislation.

Deductions from Income Support, Job Seeker's Allowance and Employment Support Allowance

Deductions are made from the judgment debtor's benefits at a rate determined by legislation.

Use of Enforcement Agent

Charging Orders

This is a Court order which secures the debt against the judgment debtor's property. A charging order may then be enforced by seeking an order for sale of the property.

Third Party Debt Orders

A Court order against a third party, often (but not necessarily) the judgment debtor's bank or building society, requiring them to pay the judgment debt out of the judgment debtor's funds.

Insolvency

Insolvency proceedings may be commenced against the judgment debtor providing the requirements of prevailing insolvency legislation are met.

An order to obtain information may be sought from the Court which requires a judgment debtor to attend Court and provide information to a Judge or Court officer about their means and any assets they hold. This may be of assistance in determining how to recover a judgment debt.

Where Court proceedings and other enforcement options are pursued, the Council will seek to recover the costs of the Court / enforcement action against the debtor.

Enforced Sale

In some cases there will not be any need to secure a Court Judgment to enforce a debt. Statutory and chargeable debts may often be secured against a property as a financial charge in the Council's Local Land Charges register. Some debts may be registered as charges with the Land Registry. In some cases, where legislation provides that the debts are charges on "all estates and interests" in a property, the charges will have priority over all existing charges, including mortgages and other loans secured against the property. The authority may also serve a formal demand on the debtor, which allows the authority to enforce the registered charge and act as mortgagee in possession of the property. The property may then be sold, usually at public auction with the proceeds used to pay off debts on a priority basis. It should also be noted that enforced sale of properties can bring wider benefits to individuals and the community by improving the condition of a property and bringing an empty property back into use. This is often used as an enforcement tool in Private Sector Housing and neighbourhood renewal strategies.

Annex 8

Overpaid Salaries and Wages Policy

1. Summary

- 1.1 Northumberland County Council is required to ensure that employees are paid correctly at all times. If an overpayment of salary or any other payment of public funds occurs for any reason, the Council will recover the overpayment from the employee. Similarly the Council will take steps to correct any underpayment of salary or any other payment to which an employee is entitled.
- 1.2 If it is considered that an overpayment has been brought about fraudulently, then the matter will be reported to the Council's Corporate Fraud Team and an investigation carried out under the Council's Counter Fraud Policy.

2. Scope of Policy

- 2.1 This procedure applies to all employees of the Council.

3. Background

- 3.1 The purpose of this document is to ensure that there is a consistent approach to the recovery of salary overpayments throughout the Council.
- 3.2 Overpayments are additional and unnecessary charges against service budgets which may never be recovered.

4. Introduction

- 4.1 This document explains the process in use when a member of staff receives an incorrect payment in their salary.
- 4.2 This document applies to all employees on a permanent or fixed term contract with Northumberland County Council. This document also applies to those staff employed on a casual basis

5. Definitions

- 5.1 There are several ways in which a member of staff can be incorrectly paid including, and not restricted to:
 - An overpayment of salary
 - An underpayment of salary
 - Payment of incorrect travel or non-travel expenses
 - Duplication of a payment
 - Deduction made in error
- 5.2 The definition of an underpayment is where an employee is paid an amount less than their contractual entitlement. Likely causes of an underpayment include but are not restricted to:
 - A variation form being submitted after the Payroll deadline
 - A late change of notification
 - Incorrect salary banding

- 5.3 The definition of an overpayment is where a current member of staff or someone who has left employment is paid an amount in excess of contractual entitlement. Likely causes of an overpayment derive from a Service error and include but are not restricted to:
- A termination form not being completed, received or implemented on time
 - Late or no notification of sickness absence
 - Staff not returning from maternity leave
 - An error being made
 - A late change notification
 - Incorrect salary banding

6. Identification of payment errors

6.1 Payment errors can be identified in several ways:

- A member of Payroll identifies that an error has occurred
- The employee upon receipt of payment
- The budget manager
- An audit review

6.2 When an error in payment has been identified, action must be taken as quickly as possible to rectify the error

7. Responsibilities of Payroll

7.1 It is the responsibility of Payroll to:

- Identify payment errors and advise the employee in a timely manner (normally immediately)
- Confirm in writing the overpayment.
- Ensure the Payroll Administrator contacts the appropriate line manager to advise of any overpayment situation that occurs

8. Responsibilities of line managers

8.1 It is the responsibility of Line Managers to ensure that

- Paperwork relating to changes in pay or termination etc. is submitted to Payroll in a timely manner
- When an error in payment is identified the member of staff concerned is supported and appropriate action taken to resolve the situation
- Review on a regular basis all salaries charged to their cost centre

9. Responsibilities of employees

9.1 It is the responsibility of individual employees to

- Ensure that they understand their salary as agreed contractually
- Raise any anomalies with their pay in a timely manner with their immediate line manager and contact Payroll.

10. Payroll's process for overpayments

10.1 For employees, the Payroll process is

- All payroll queries must be logged with the relevant Payroll Administrator
 - The information provided will be used to support the monthly Workforce Committee and Payroll Management Team meetings.
- 10.2 The exact nature of the payment error will be investigated by a Payroll Administrator who will calculate the amount of the payment error.
 - 10.3 Once the amount has been verified as correct the employee will be notified in writing. This will include an explanation as to how the error occurred and will request consent from the employee to recover the overpayment from salary deduction.
 - 10.4 Current employees will have overpayments recovered from their gross pay. The repayment period will normally be equal to the period over which the overpayment occurred and remaining balance will be recovered from their final pay.
 - 10.5 In cases where the period of overpayment is longer and therefore greater, the Payroll Manager can agree a suitable repayment period.
 - 10.6 Decisions regarding the duration of this extended period for repayment of an overpayment will take into consideration a number of factors. Issues such as the amount of overpayment, personal circumstances which could lead to undue financial hardship, duration of contract (if not permanent) proximity to retirement, redundancy or maternity leave are all factors which will be considered and form part of the decision making process.
 - 10.7 A full investigation would be required if for example there has been an over/underpayment over a long period of time, where there is concern that fraudulent activity may have taken place or where there is a significant over or under payment. The Corporate Fraud Manager will be notified in such cases.
 - 10.8 Internal audit will be notified of any suspected fraud and also where systems improvements are recommended to avoid any repetition.

11. Leavers

- 11.1 Where an overpayment has occurred, and an employee leaves, during or before the start of an agreed repayment period, the balance of the overpayment will be taken from their final salary. If the overpayment is greater than the final salary or notification of leaving is received after the final salary has been paid, the repayment process for ex-employees will be used.
- 11.2 Where an underpayment has occurred and an employee leaves, full payment will be made in their final salary

12. Ex-employees

- 12.1 When a payment error is identified for an employee who has already left the organisation, the gross and net figure of the overpayment will

be calculated. Payroll will write to the individual detailing the circumstances surrounding the error and request a payment to be made for the outstanding balance.

- 12.2 If the former employee is unable to repay the overpayment in full then a subsequent invoice will be raised by the Accounts Receivable Team.
- 12.3 Once an agreement to repay by instalments has been made between the former employee and the Accounts Receivable Team and subsequently stops, the normal escalation process will be followed.
- 12.4 Overpayments will be processed through the payroll once a former employee has been advised of the error unless they left in a previous tax year. In this case Payroll will correct by a manual adjustment and inform HM Revenue & Customs accordingly.

13. Reporting

- 13.1 Payroll will maintain a spreadsheet detailing all payment errors. This will include details of the resolution period, last payroll action taken and the reason for the payment error.

14. Complaints

- 14.1 Any complaints regarding the processing of a payment error can be made by writing to:

Payroll Manager
Northumberland County Council
County Hall
Morpeth
Northumberland
NE61 2EF

Email: employee.services@northumberland.gov.uk

Annex 9

Bankruptcy and Liquidation Policy

Purpose of document

This policy covers debts owed to the Council. Those debts include council tax, non-domestic rates, sundry debts and housing benefit overpayments. The Council is committed to using the most effective recovery methods available to it, and this policy will ensure that the Council's use of bankruptcy or winding-up proceedings is consistent and complies with the relevant legislation and best practice.

Legislation and Prerequisites to Bankruptcy

The Council Tax (Administration and Enforcement) Regulations 1992 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 allow for council tax and non-domestic rate debts of over £5,000, that are the subject of liability orders, to be taken forward for bankruptcy proceedings in accordance with the provisions of the Insolvency Act 1986.

For sundry debts and housing benefit overpayments bankruptcy proceedings may be taken against debtors who owe in excess of £5,000 where a County Court Judgement has been granted in respect of the debt.

The consequences can be severe and can involve the loss of the debtor's home or business, and considerable legal and Trustee's costs can be incurred. The level of costs will reflect the complexity of the matters involved, and the extent to which the debtor co-operates with the Trustee who is administering the bankruptcy estate.

Bankruptcy action usually takes place in the debtor's local County Court with bankruptcy jurisdiction unless the debtor resides in London, in which case the action takes place in the High Court or the Central London County Court.

Administration

The Corporate Debt Team will manage the administration of bankruptcy cases and proceedings. Assistance may be sought from Legal Services.

When Bankruptcy Action may be taken

The Recovery Section may consider using insolvency proceedings in the following circumstances (the list is not exhaustive):

- Where the debt exceeds £5,000 and the debtor appears to have sufficient assets or equity to ensure the debt is recoverable by the Official Receiver or the Trustee in Bankruptcy.
- Where the debtor is not making regular and mutually agreed payments that are sufficient to clear accruing debt and arrears within a reasonable and acceptable timescale.
- Where other methods of recovery are considered inappropriate or have failed and bankruptcy action appears to be a fair and proportionate course of action to recover from a particular debtor.
- Where the debt has arisen as a result of fraud.
- Where bankruptcy action may elicit payment from specific groups of debtors, for example company directors, those for whom a bankruptcy order may affect their employment, professional status or ability to practice, self-employed people and those people needing finance.

Recording Information and Decisions

A Bankruptcy Checklist and log of events will be maintained throughout the process to ensure that bankruptcy remains the most appropriate course of action.

Decision Making (1)

Prior to commencing bankruptcy proceedings enquiries will be made of the Revenues and Benefits Sections' computerised systems to:

- i) Establish a debt history and whether any previous debts have been collected within a reasonable period by other means.
- ii) Ensure that all known benefits, discounts and exemptions have been granted based on the information held.
- iii) Based on information held, establish whether the debtor may be vulnerable or unable to deal with their day to day financial matters.

Where the debtor resides in Northumberland contact will also be made with Adult Social Care to ascertain if the debtor is known to them and therefore may be vulnerable. If the debtor is currently receiving any Adult Social Care services (or has previously received Adult Social Care services) Adult Social Care will be requested to provide the contact details for their Key Worker. Further enquiries will be made with the Key Worker, if their details are provided, to establish if the debtor may be vulnerable by way of, for example, age, mental illness, serious learning difficulties or where it is known that they are unable to deal with their affairs. Should it be apparent that the debtor has such difficulties then consideration will be given to whether the help of other agencies should be sought, and to the appropriateness of pursuing an alternative course of action.

Decision Making (2)

If records held and enquiries with Adult Social Care do not indicate that the debtor may be vulnerable then enquiries will be made with a credit reference agency and the Land Registry to establish information about the debtor's financial standing and ownership of property.

Decision Making (3)

In order to assist with the decision as to the appropriateness of bankruptcy the Council will follow The Pre-Action Protocol for Debt Claims that came into force on 1 October 2017. The aims of the Pre-Action Protocol are to:

- a) encourage early engagement and communication between the parties;
- b) enable the parties to resolve the matter without the need to start court proceedings;
- c) encourage the parties to act in a reasonable and proportionate manner in all dealings with one another;
- d) support the efficient management of proceedings that cannot be avoided.

Where payment in full cannot be made, financial information and a proposal for repayment will be requested. If payment in full is not made but financial information is provided it may result in either acceptance of a proposal for repayment, an alternative course of action being taken, or pursuing bankruptcy proceedings. The reasons for the decision will be recorded.

In the event that a response from the debtor establishes that the debtor may be vulnerable then details of the perceived vulnerability will be recorded. Further enquiries will be made to check that council tax benefit/support, discounts and exemptions have been applied for, for possible referral to other agencies, and to determine an appropriate method of recovery. The debtor will be notified in writing of any decisions taken.

Decision Making (4)

Where a decision is taken to commence bankruptcy proceedings a letter will be sent to the debtor setting out the decision, warning them again of the consequences and high costs of bankruptcy, advising them to seek independent advice, and warning them of the intention to issue a Statutory Demand after 14 days unless the debt is paid in full.

The Council may take a decision to issue proceedings immediately if it becomes known that a debtor may dispose of assets to prevent a debt being recovered.

Statutory Demand

A Statutory Demand is a formal demand for payment issued by the creditor to the debtor, and service of the Statutory Demand upon the debtor is the first formal stage in bankruptcy proceedings.

Guidance on service requirements are set out in the Insolvency Proceedings Court Practice Direction. In addition to the requirements of the Practice Direction, a letter will be issued with the Statutory Demand setting out the intentions of the Council and what the debtor needs to do to comply with it.

The debtor has the opportunity to contact the Council at this stage and, depending on information supplied, it may still be possible to consider a short term repayment arrangement or alternative recovery action. The debtor also has the right to apply to the County Court to have the Statutory Demand set aside.

Bankruptcy Petition

The Council may present a Creditor's Bankruptcy Petition to the County Court within four months of the date of service of the Statutory Demand if the debtor has not complied with it, or if alternative arrangements cannot be agreed following service of the Statutory Demand. Prior to presentation of the Petition further enquiries will be made with Adult Social Care to establish whether the debtor has become known to them during the process, in which case the action will be reconsidered. The Council is required to serve the Petition upon the debtor and guidance for service requirements are set out in the Insolvency Proceedings Court Practice Direction.

At this stage the debtor is required to pay the debt in full before the hearing of the Petition at Court otherwise the Court will be asked to make a Bankruptcy Order. However, the Council will not object to a short adjournment of the proceedings if the debtor provides the Court with evidence that they will be able to pay in full within a very short period.

If, between the Petition being presented to the Court and the hearing of the Petition, it becomes known that the debtor does not have the capacity to deal with the matter, then full consideration will be given to seeking an adjournment of the proceedings to enable both the debtor and the Council to obtain further advice.

Legislation and Prerequisites to Winding-Up Proceedings

The Council Tax (Administration and Enforcement) Regulations 1992 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 allow for council tax and non-domestic rate debts of over £750, that are the subject of liability orders, to be taken forward for winding-up proceedings in accordance with the provisions of the Insolvency Act 1986.

For sundry debts and housing benefit overpayments winding-up proceedings may be taken against limited companies who owe in excess of £750 where a County Court Judgement has been granted in respect of the debt.

The consequences can be severe and can involve the closure of the company, and considerable legal and Liquidator's costs can be incurred. The level of costs will reflect the complexity of the matters involved, and the extent to which the debtor co-operates with the Liquidator who is administering the affairs of the company.

Winding-up petitions are usually heard in the High Court or the Central London County Court.

Winding-up proceedings will usually only be started against companies that appear to have sufficient assets to be realised for the benefit of creditors or, in cases where companies appear to have insufficient assets to be realised for the benefit of creditors, it would be in the public interest to stop the company trading and accruing further debts that would have to be borne by the County's taxpayers.

The Council may take a decision to issue proceedings immediately if it becomes known that a debtor may dispose of assets to prevent a debt being recovered.

Trustees in Bankruptcy/Liquidators

When a Bankruptcy or winding-up Order is made the Official Receiver is immediately appointed Trustee in Bankruptcy/Liquidator. In the event of there being realisable assets in the bankruptcy estate or liquidation then it is likely that an Insolvency Practitioner will be appointed Trustee in Bankruptcy/Liquidator to deal with the matter.

When the Council is the petitioning creditor in a bankruptcy or winding-up proceedings we will usually nominate a Trustee in Bankruptcy/Liquidator who is local and easily accessible by the debtor. The appointment of a local and easily accessible Trustee/Liquidator will enable Officers to attend meetings of creditors when necessary.

However, the ultimate decision to appoint the Trustee in Bankruptcy/Liquidator is not that of the Council.

Annex 10

Enforcement Agent Code of Practice for Council Tax and National Non-Domestic Rates

Introduction

This code of practice outlines the way that internal enforcement agents or external enforcement agent companies collecting local taxation debts on behalf of Northumberland County Council should conduct themselves. It includes:

- The professional standards they must adhere to;
- The procedures they must follow;
- Guidance on how quickly the money should be repaid; and
- When it is inappropriate to take action.

Professional standards

The Council and the enforcement agent company will ensure that all enforcement agents, employees, contractors and agents have an appropriate knowledge and understanding of all relevant legislation, case law and powers, and at all times act in accordance with them. The enforcement agent must comply with the principles of the General Data Protection Regulations and any other relevant legislation.

Enforcement agents and employees, contractors and agents of the enforcement agent firm must be aware that they represent the Council in their dealings with debtors. They should at all times act lawfully and in accordance with the provisions of prevailing local taxation legislation. They must also act in a responsible, professional and courteous manner and be aware that their behaviour, appearance and attitude have a great influence on the success of the debt recovery process.

External enforcement agent firms must at all times:

- Hold up to date professional indemnity insurance, ensuring the fullest indemnity against legal proceedings resulting in compensation awards due to illegal or irregular actions. Details of such insurance must be provided to the Council on request.
- Maintain a separate client bank account for monies received from debtors, evidence of which must be supplied to the Council on demand.

The enforcement agent must be firm but polite and courteous at all times when dealing with the public. They must avoid being provoked by vexatious debtors. In the event of a breach of the peace occurring as a result of an enforcement agent's visit, the Council must be debriefed of the circumstances as soon as practicable.

At all times, enforcement agents must carry:

- Their Enforcement Agent's General Certificate issued by the County Court, which must be shown when visiting a property to take control of goods.
- Written authorisation of the Council to be shown on request

The enforcement agent must at all times make clear to the debtor the purpose of their visit and the fact that they are acting on behalf of, and, as agent of the Council. For Council Tax matters visits to residential addresses must be made after 6am and before 9pm, with no visits on Sundays or bank holidays unless specifically agreed in writing in advance. Visits for Non-Domestic Rate matters may be made to business premises at any time during their hours of opening.

The enforcement agent must hand to the debtor or leave on the premises documentation detailing costs incurred, the legislation relating to taking control of goods and any relevant guidance notes.

Taking Control of Goods

This means entering a debtor's property and listing goods belonging to the debtor, or listing goods belonging to the debtor found on a public highway, that may be removed and sold at auction with the proceeds being paid towards the amount owed to the Council and costs incurred by the enforcement agent. Only an enforcement agent properly vetted and trained by the authorised company and who is certificated by the County Court may take control of goods in respect of liability orders on behalf of the Council.

Upon receipt of any instruction to take control of goods, the enforcement agent company shall ensure that a visit is made to take control of goods only after any pre-agreed letter and telephony strategy has been unsuccessful. Where more than one liability order is held for a debtor, the enforcement agent, where practicable, will attend the property for all liability orders at the same time, with only one enforcement fee being charged. Visits to debtors' premises must be made on different days and at different times of the day.

Arrangements to pay the debt

If, on attendance, contact is made with the debtor, the enforcement agent should attempt to recover the amount in full immediately. If full payment cannot be made immediately, the debtor should be given the opportunity to enter into a Controlled Goods Agreement. A Controlled Goods Agreement allows the debtor to keep the listed goods on their premises provided a suitable payment arrangement is agreed with the enforcement agent and is adhered to. The enforcement agent must explain to the debtor the terms of the Controlled Goods Agreement and the consequences of payment default, and leave a copy of the Agreement with them. There must be no administration fees for entering into a payment arrangement.

Enquiries should also be made about possible eligibility for reliefs, discounts, exemptions or Council Tax Support and details of debtors who may potentially be eligible for any reduction must be passed to the Council. Information regarding employment or benefit status should also be obtained and passed to the Council.

Council Tax payment arrangements can be made at the Enforcement Agent's discretion over a period of up to 6 months, or to clear the debt within the financial year, whichever occurs sooner. The repayment period may be extended up to a maximum of 40 weeks if the debtor's circumstances warrant this, and an income and expenditure statement supports it. If an offer for payment extends beyond 40 weeks, and the Enforcement Agent either considers it inappropriate to remove goods or there are exceptional circumstances, the Enforcement Agent must refer the case back to the Council to re-check the records for benefit or discount entitlement etc., and to consider alternative enforcement action before an extended arrangement can be agreed.

Non-Domestic Rate payment arrangements can be made at the enforcement Agent's discretion over a period of up to 3 months. If an offer for payment extends beyond 3 months the Enforcement Agent must refer the case back to the Council to re-check the records before an extended arrangement can be agreed.

When the Enforcement Agent should consider taking no action

The enforcement agent should at all times use their professional judgement to refer a case back to the Council if they consider that, due to the personal circumstances of

the debtor, **it would or may be inappropriate to take control of goods or continue with the case.** In particular, where the debtor:

1. Appears to be severely mentally impaired or suffering severe mental confusion.
2. Has young children and severe social deprivation is evident (Council Tax only).
3. Disputes liability or claims to have paid, has applied for Council Tax Support, a discount or any other relief not yet granted.
4. Is heavily pregnant and there are no other adults in the household (Council Tax only).
5. Is in mourning due to recent bereavement of a close family member (within 1 month of death).
6. Is having difficulty communicating due to profound deafness, blindness or language difficulties. In these cases arrangements must be made for provision of the appropriate support in terms of a signer or translation services etc.
7. Is currently unemployed and provides proof that they are in receipt of Income Support or Job Seeker's Allowance (Income Based), and details are obtained of the debtor's National Insurance number (Council Tax only).
8. Has severe long term sickness or illness, or is terminally ill.
9. States that they have raised their case with their local councillor or Member of Parliament.
10. Appears to be vulnerable in any other way.

The enforcement agent must also take no action if it appears that no responsible adult is present at the debtor's address. If an adult is present, the enforcement agent must attempt to establish their identity. If the debtor is unavailable the enforcement agent must ascertain when they will be available. No reference should be made to the nature or purpose of their visit. The enforcement agent must be aware of the sensitive and confidential nature of this work and should take care to ensure that information regarding the debtor's circumstances is not passed on to, or discussed with, a third party except those specified in the Taking Control of Goods Regulations. If children are present at the time of the visit the debtor should be encouraged to ask them to leave the room while the matter is dealt with. Any documents left at the premises when the debtor is not present must be left in a sealed plain envelope, clearly addressed to the debtor and marked strictly private and confidential.

Removing goods from a debtor's premises

Before attending to remove goods, the enforcement agent must give notice to the debtor in accordance with the Taking Control of Goods Regulations and highlight the costs of removing the goods. However, if there are circumstances that indicate that by telling the debtor it may compromise the ability to remove goods (for example if a company is about to go into liquidation, or the debtor is about to abscond) then an application must be made to the Court for permission to attend without giving the required notice. Such a decision and the reasons for the decision must be recorded and the Council notified.

Enforcement agents must not attend a Company Director's personal address when the liability order is not in his specific name, unless that address is the registered office or the trading address of the company.

In the event of the need to remove a debtor's goods, the enforcement agent should obtain the express permission of the Council before doing so unless this happens outside of normal working hours (8.30am to 5.00pm) in which case the enforcement agent may conduct the removal if appropriate to do so, or unless it is believed the debtor will attempt to remove goods themselves to prevent the action continuing..

For Council Tax debts, certain goods are protected under the Taking Control of Goods Regulations 2013, and must not be removed for sale by the enforcement agent. Only goods belonging to the debtor or a co-owner may be seized. Goods subject to hire purchase cannot be removed.

The enforcement agent should not remove goods for sale unless it is anticipated that the sum realised will be sufficient to settle a reasonable proportion of the debt and the costs. However, in some cases e.g. Non-Domestic Rates, the enforcement agent may still remove goods if it is anticipated that the debtor may be about to enter into an insolvency procedure.

Costs charged to the debtor should be strictly in accordance with the provisions of the Taking Control of Goods (Fees) Regulations 2014.

Any goods removed must be transported and stored securely with due care and attention and the appropriate insurance cover must be in place.

The debtor must be notified of the place to which the goods have been removed to. If the debt is paid in full between the removal and the sale of the goods the goods should be made available for collection by the debtor.

When the debtor's goods are removed and sold at public auction, the Council and the debtor must be provided with a full statement which:

- lists the goods sold;
- lists the amount realised;
- lists the costs incurred; and
- details the amount subsequently outstanding or overpaid as appropriate.

Where the enforcement agent is unsuccessful

At least 3 unsuccessful visits must be made to the debtor's address before the case is returned to the Council as unpaid. The visits must be made on different days and at different times and at least one of these visits should be made to the debtor's address outside normal office hours. Documents other than prescribed documents issued to debtors must be agreed with the Council and be in plain English. Documentation must be left at the property at each visit giving details of the date and time of the visit, the debt and charges to date and the name and contact details for the enforcement agent. Any documents left at the premises when the debtor is not present must be left in a sealed plain envelope, clearly addressed to the debtor and marked 'strictly private and confidential'.

Where the enforcement agent is unsuccessful in their attempts to obtain payment or take control of goods and the liability order is to be returned to the Council, they must submit a report clearly showing that the person attending to take control of goods was unable (for whatever reason) to find any or sufficient goods of the debtor to take control of. The report must also give full details of the actions taken by the enforcement agent together with any details ascertained concerning the financial or personal circumstances of the debtor.

Where the debtor has left the property

If the debtor is no longer resident, the enforcement agent should make appropriate, discreet enquiries to ascertain the debtor's date of leaving and new address as well as details of any new occupier. This information must be referred back to the Council. The enforcement agent may visit and take control of goods at the debtor's new address.

Reporting requirements

Payments and payment schedules must be submitted to the Council at a pre-agreed frequency on the agreed day(s). The enforcement agent company must account for all monies received and provide a proper system for dealing with unpaid cheques and recalled credit/debit card payments.

Monthly statistical reports in the agreed format must be submitted to the Council.

Monthly reports must be submitted to the Council for those cases that are still outstanding after six months.

Responsibility

The Corporate Debt Team will be responsible for the operation and monitoring of this Code of Practice and for resolving any complaints from the debtor.

Complaints

Any complaints received will be dealt with in accordance with the Council's Corporate Complaints Procedure.

When a formal complaint is made about the actions of an enforcement agent company the Council will instruct the enforcement agent company to suspend the action for an initial period of 21 days.

The Council will instruct the enforcement agent company to provide a written case report and other relevant information within 5 working days.

A written response will be issued to the complainant in accordance with the time requirements set out in Stage 1 of the Council's Corporate Complaints Procedure.

Should the complainant remain dissatisfied with the findings of the investigation then they have the right to have the complaint escalated to Stage 2 of the Council's Corporate Complaints Procedure.

Should the complainant still remain unhappy with the response they receive they have the right to contact the Local Government Ombudsman.

The enforcement agent company will maintain an internal complaints procedure overseen by a senior member of staff.

Where the enforcement agent company receives a formal complaint about the actions of their company or one of their staff they must also suspend action to allow an investigation to be conducted in accordance with their complaints procedure. A copy of the complaint and the outcome of any investigation must be provided to the Council electronically within 14 days of receipt of the complaint.

Review

This Code of Conduct will be reviewed annually but may be amended at any time to incorporate new procedures, practices or legislative requirements. External enforcement agent companies will be consulted about any proposed changes.

Citizens Advice have been consulted in the drafting of this policy and will be notified of any amendments as and when they occur.

Annex 11

HOUSING INCOME MANAGEMENT POLICY

Part 1 – Current Rent Arrears

Supporting Information

The collection of rent is vital to enable Northumberland County Council to provide services to all tenants.

As such we offer a firm but fair approach to rent arrears recovery. It is the tenant's responsibility to ensure that they pay their rent weekly, when due and not allow any arrears to accrue.

Emphasis should be made at the sign up stage of the importance of paying rent every week or monthly in advance. Advice should be given on payment options, Housing Benefit, Universal Credit and Council Tax forms should be completed. If it is felt that the tenant may require additional support in order to maintain their tenancy the Allocations Officer should refer to the Housing Benefit officer, Citizens Advice, Gov.Uk for Universal Credit Enquiries or other relevant support agencies.

Universal Credit

Northumberland County Council has seen the introduction of Full Service Universal Credit (UC) for working age claimants from December 2018. This change has been reflected within the arrears Policy. Support has been put in place to assist UC applicants with their claims if required and in addition to this the rent arrears escalation procedure has been extended for all UC claimants.

Prevention of Arrears

Early intervention and personal contact are essential to prevent arrears from spiralling out of control.

Home visits, telephone calls and agreements

The object of the above is to maximise recovery of monies owed to Northumberland County Council, to understand the reasons why the arrears have accrued and to offer as much help to the tenant as possible.

- Obtain income and expenditure details to ascertain if there could be any possible benefit entitlements, issues with debt or budgeting and to make referrals for money advice.
- Try to make an agreement with the tenant to pay off arrears, be realistic about what the tenant may be able to pay; tenants themselves may make unaffordable offers.
 - In full.
 - To pay the arrears by affordable and realistic instalments in addition to current rent
 - To make up missed payments.
 - Complete direct debit/standing order mandates.

- If they owe minimum of 4 weeks gross rent consider direct payments or Alternative Payment Arrangement for Universal Credit Claimants (APA).
- Confirm agreements in writing to the tenants
- Out of hours visits and calls should be considered where it has not been possible to contact the tenant during office hours. These should be authorised by the Housing Manager in advance and the lone working procedure should be carried out. It is essential that personal contact is made with the tenant prior to the Notice Seeking Possession (NOSP) and Notice of Possession Proceedings (NOPP) being served.
- All agreements made should be recorded.
- It is important that refusals to provide any details such as income and expenditure are also recorded
- When writing to joint tenants ensure that you write separately to each named tenant.
- Set out clearly in correspondence any time limits with which the tenant should comply.

It is important that the system is updated with every type of action taken.

ARREARS GUIDELINES

Assistance to Sustain Tenancies

Alongside the recovery of any debts owing to Northumberland County Council it is very important that we assist the tenant to sustain their tenancy. Eviction should only be considered as a last resort and we should ensure that, as a minimum, we offer the following assistance.

- Housing Benefit referrals including discretionary housing payment
- CAB referrals
- Other agencies which may be able to assist if tenant deemed to be vulnerable i.e. Age UK, Silx, Voices, BRIC etc.
- Offer repayment agreements which the tenant can maintain
- Inform of Direct Debit and Standing Order Options
- Money Advice and budgeting
- Support with Universal Credit Applications

Vulnerable Tenants

Northumberland County Council will have tenants who may have special requirements, are vulnerable or both and as such are at greater risk of losing their tenancy. Vulnerable tenants include:-

- Under 18 years of age or young people under 21 leaving care

- Elderly person aged 70 or over
- Mental Health conditions
- Substance Abuse
- Living with chronic long term illnesses
- Severe physical disability
- Illiteracy
- First Language is not English
- Rehoused from Supported Accommodation
- Domestic violence

In these cases these accounts will be flagged as at risk and the arrears will be monitored and progressed by the Housing Officer.

Direct Payments

Where a tenant is in receipt of Income Support, Income Based Job Seekers Allowance or Income Related Employment and Support Allowance, Universal Credit and has over 4 weeks gross rent arrears, then a direct deduction from their benefit should be requested from the DWP. (See letter DPR).

When Direct Payments commence or cease the officer will update the NPS system with the relevant information.

RENT ARREARS ESCALATION PROCEDURE

Arrears action should commence when a weekly payer has missed one payment or a monthly payer is one week late. Not taking into account benefits paying in arrears.

The following is the basic procedure to be followed in the recovery of rent arrears; however this process can be extended or reduced depending on the individual's circumstances and the level of arrears.

Extended:

These may arise because:-

- The tenant is in hospital
- There are mental health issues or the tenant is unable to understand their responsibilities
- Delays in claims for benefit being processed
- Recent bereavement
- Recent unemployment
- Recent matrimonial difficulties.
- The tenant is awaiting Universal Credit Payment.

Static Balances

Where there is a consistent low level static balance on an account send letter SB1 to the tenant, to attempt to arrange a repayment plan to clear the arrears. Should this fail, consider action 1 below.

Should an account reach the stage of NOSP then this may be served if the balance is over £25 and the arrears procedure has been followed.

Insufficient Payments

Where it appears that the tenant is making insufficient payments to cover rent and arrears a visit should be made to make them aware of this. Alternatively a letter should be issued.

Rent Arrears Procedure

1st Action – Automated SL01/IL01 letter is issued.

2nd Action - Contact the tenant by phone. If the tenant is present ascertain the reasons for the non-payment e.g. hospitalisation of tenant, mental illness, or the inability of the tenant to understand their responsibility for paying rent and make arrangements with them to repay the outstanding amount due. Advise the tenant of all payment options available and identify the most appropriate option for the tenant's circumstances, encourage Direct Debit or Standing Orders.

Check if there are any Housing Benefit or Universal Credit delays or if the tenant is in severe financial difficulties. Check if there is a recent bereavement, unemployment or matrimonial problems. Enquire if the tenant requires money advice. If there are any Housing Benefit issues the tenant should be advised to make contact with the Housing Benefit section, or in the case of Universal Credit the Department of Work and Pensions.

The system should be updated following the visit and notes added.

This procedure should be followed at each subsequent visit.

3rd Action - next missed payment, arrears rising – Automated SL02/ Officer decision to send IL02 letter

4th Action – next missed payment, arrears rising – visit with letter SL03/IL03 (Notice Warning Letter)

4th Action - Next missed payment, arrears rising – Consider issuing Notice of Seeking Possession (NOSP) or Notice of Possession Proceedings (NOPP). Letter SLO4/IL04 to be sent with NOSP/NOPP. **Remember: when writing to joint tenants ensure that you write separately to each named tenant.**

Upon service of a NOPP to an introductory tenant, the tenant has the right to request a review of Council's decision to seek possession of their home within 14 days. (See legal process for Introductory Tenants).

Check management notices to see if the case is an active Anti Social Behaviour (ASB) case, speak with ASB officer.

Visit with NOSP/NOPP and if contact made explain seriousness of situation and try to make agreement with the tenant for them to reduce/clear arrears. Update system, and file NOSP/NOPP.

If any agreement is reached at this stage with regard to reduction/clearing arrears write to the tenant(s) to confirm that agreement. Proceedings should not be commenced if the tenant(s) continues to comply with that arrangement. If the tenant ceases to comply with such arrangement you should warn the tenant of the intention to bring proceedings and give the tenant clear time limits within which to comply.

Consider alternative dispute resolution.

NOTE – If no agreement can be reached no legal action can be sought until the 28 day Notice period has expired. However the arrears recovery procedure should still continue during this period if no arrangement or contact had been made with the tenant.

NOTE – If customer is in receipt of Universal Credit option to apply for Alternative Payment Arrangement (APA)

NOTE – Where 12 months have elapsed since service of the NOSP but the tenant remains in arrears at a level where possession may not have been considered appropriate, speak with the Area Housing Manager to consider whether service of a new NOSP may be necessary together with letter AR4B.

The NOSP is valid for a period of 12 months and will remain valid even if the tenant clears the arrears.

5th Action – Next missed payment, arrears rising – Visit and reiterate legal situation.

6th Action - Letter SL06/IL06 (Court Warning Letter)

7th Action

Consider application to Court for possession. The following application process must be carried out at this stage:-

Income Manager authorises application for Court.

- Officer completes court application on line to HM Court Service which generates a Court Hearing Date and time ([https://www.possessionclaim.gov.uk/pcol/.](https://www.possessionclaim.gov.uk/pcol/))
- Officer informs tenant of this. Letter AR7/ITAR7 – ENSURE THAT THE TENANT IS ADVISED IN WRITING OF THE DATE AND TIME OF THE HEARING AND ADVISED TO ATTEND COURT ON THAT DATE.
- ENSURE THAT AT LEAST 10 DAYS PRIOR TO THE COURT HEARING DATE A RENT STATEMENT AND DETAILS OF OUR KNOWLEDGE OF THE TENANT'S HOUSING BENEFIT ENTITLEMENT ARE SENT TO THE TENANT(S)

- Officer to advise tenant that it is still not too late to come to an arrangement regarding payment and discuss with tenant advantages of clearing account prior to the court hearing. If the tenant complies with an arrangement for payment of the current rent and a reasonable amount towards the arrears we should agree to postpone court proceedings so long as the tenant keeps to such an agreement. However if the tenant ceases to comply we should warn the tenant of the intention to restore the proceedings and give the tenant clear time limits within which to comply.
- Discuss with tenant the consequences of possession and the need to discuss case with Homeless Persons Officer.
- Inform tenant that account must be cleared to prevent possession being granted at Court.
- On the hearing date the officer who is attending on behalf of Northumberland County Council will ensure that all the following documentation is available:-

Copy of the Notice, together with proof of service
 Copy of the application for possession and particulars of claim
 Current arrears figure
 Rent statement (last 104 weeks).
 Copy of Diary Notes

Court Hearing

The Court may make one of the following judgments:-

Introductory Tenants

The Judge will usually grant possession within 14 days but the Judge has discretion to order possession for a date up to six weeks (42 days). Ensure that the Judge records the decision as a mandatory outright possession

Secure

The judge has discretion and can make the following Judgements:-

Outright Possession (Absolute) (OPO) (IOP0) -The date specified for possession should usually be within 14 days but the Judge has discretion to order possession for a date up to six weeks (42 days)
 Suspended Possession Order (SPO)
 Proceedings adjourned generally with liberty to restore (ADJT)
 Proceedings Adjourned new date (ADJ)
 Proceedings dismissed.

Send appropriate Court Judgement letter to tenant following hearing to advise tenant of the outcome

If the Tenant clears the arrears shortly before the hearing you can still ask the Judge to make an Order for payment of the costs.

Post Court Action

Officer to check the Judgment details are correct. IF AN INTRODUCTORY TENANT, CHECK THAT THE ORDER SPECIFIES THAT IT HAS BEEN MADE ON MANDATORY GROUNDS.

If an outright order for possession has been made, diary the matter until the expiry of the date for possession referred to in the Order e.g. 14, 28 days, then consider an application for warrant.

If a warrant is applied for a visit to the property must be made prior to it being executed.

If a suspended possession order is made and the Order is not being complied with:-

1st Action – next missed payment, arrears rising – visit with CODL letter (breach of Court Order). Explain to the tenant that eviction is likely if rent arrears are not reduced in line with the Order and any missed payments are not made up.

2nd Action - next missed payment, arrears rising – visit with letter FWAL to invite the tenant to come into office to discuss the situation at which time the eviction process will be outlined and the tenant will be given one final opportunity to make up payments and avoid this.

Process for applying to Court for Eviction

Eviction application should be made to court using relevant internet address (<https://www.possessionclaim.gov.uk/pcol/>)

Keep monitoring account and update if necessary,

Court advises tenant and Northumberland County Council of date and time of eviction.

Contact Homelessness Team (AE3). Email Homeless team to advise of the eviction of the tenant.

If tenant is able to clear arrears and court costs in full, the eviction should be cancelled and the court, bailiff and joiner advised accordingly.

Applications to Suspend Possession

Introductory tenants cannot apply to suspend the date for possession beyond 6 weeks from the date of the original possession hearing. If application to suspend is listed in such a case draw the Judge's attention to the fact that this is a mandatory ground and there is no legal basis to suspend the warrant.

Secure tenants

When the tenant receives notification of the eviction date they can lodge an application to suspend the warrant to the Court. If this happens Northumberland County Council will be informed of the time and date of the hearing and must attend.

The eviction cannot proceed until after the court has heard the tenant's application and made a decision.

If the Judge accepts the tenant's application and grants the suspension (CODL) then the warrant will be suspended usually on terms. If the tenant breaches the terms of this order then a visit should be made to make them aware that the matter could be referred back to court, after which the process then reverts back to post court action, action 3.

Variation of Court Order

At any time after a Court Judgment has been made, either party has the opportunity to apply to the Court to amend the terms of the Order.

Eviction

- Two officers to attend with a joiner to change the locks and secure the property when the Bailiff has gained possession.
- If there is a possibility of violence of any kind, the police should be requested to be in attendance.
- Officers should catalogue and photograph any possessions left by tenant INVENTORY FORM.
- Arrangements should be made to allow the tenant an accompanied visit at a pre-arranged date and time to collect the remainder of their belongings.
- If no arrangements have been made with the outgoing tenant for this, then the officer will arrange the removal/storage of the possessions after 7 days.
- A Notice in accordance with S41 Local Government Miscellaneous Provisions Act may need to be served for any goods left at the property (SEC41). Whilst these ought to be prepared by Housing staff, these must be signed by NCC legal before serving.

COURT COSTS

Supporting Information

When an existing tenant has cleared all outstanding rent arrears on the account and the court costs remain, technically they are still in default of the Court Order and possession can still be sought, provided that the Court have ordered that the costs be included as part of the arrears.

Recovery of Court Costs

All rent arrears should be cleared before any action is taken to recover court costs

1st Action – Letter CL01 will be sent to the tenant outlining amount due.

2nd Action – Letter CL02 will be sent to the tenant.

If no attempt has been made to clear these costs these remain on the account as part of the original Court Order.

Part 2 – FORMER TENANT ARREARS

Supporting Information

It is essential that the recovery of Former Tenant Debt is pursued in order to maximise the revenue for Northumberland County Council.

Former Tenancy arrears are debts accrued when a tenant fails to clear all Income Management accounts prior to the termination of their tenancy.

Recovery of Former Tenants Arrears

Upon the termination of a tenancy the officer must ensure that the final outstanding debt is correct, that there are no allowances due to be credited, and that there are no further outstanding amounts to be debited to this account, e.g. Rechargeable repairs, garage arrears, court costs, garden tidy ups etc.

Any account with a credit balance of £20 or more will have the credit refunded to the former tenant.

Check system for any relevant information e.g. tenant deceased.

Arrears and credits under £20 will not be pursued or refunded and will be recommended for write off unless they can be transferred to a current NCC rent account.

If no agreement has been made with the ex-tenant to clear the debt and a forwarding address is known the following action will commence.

1st Action – send Letter FTL1 – detailing amount outstanding to forwarding address.

If no forwarding address available investigations to locate whereabouts of tenant should be carried out. This will involve checking the Housing File for contact telephone numbers for relatives and next of kin and using Call Search 360.

If unable to trace the Former Tenant the account should be updated accordingly.

2nd Action – If no response from known address send letter FTL2 – advising that debt still outstanding and that former tenant must contact to make agreement to clear debt.

3rd Action – Home visit where possible or telephone contact.

When contact is made with a tenant the officer should assess the income of the tenant(s) and non-dependents and their ability to pay the arrears. Once this is done an agreement should be made with the tenants to clear the arrears in full or to make affordable and realistic instalments.

It may be possible at this visit that the officer can assess whether the tenant has the means to keep to this agreement and any further action will be successful The Officer will update the system with details of the repayment agreement and any observations.

4th Action – If no repayments made send letter FTL3 informing that due to non-payment the debt will be passed to (a) a Debt collection agency (b) Court action will be sought which may include an application for an attachment of earnings from salary.

Court Action

Northumberland County Council can seek a County Court Judgement against the former tenant for any outstanding arrears or other amounts owing. This action can be a drawn out process and by no means guarantees that the debt will be paid. As court costs to issue a money claim have to be paid up front by the Council this action should only be taken where there is a realistic prospect that the debt will be repaid and after authorisation by the Housing Operations Manager.

Debt Collection Agency

A debt collection agency will pursue the debt on behalf of Northumberland County Council

Officer to refer the case to approved Debt Collection Agency. (Asupp12).

Periodically Agency will forward a summary of all monies received and the officer will update the Former Tenant Account appropriately.

If no monies are recovered by the Debt Agency then the Former Arrears Officer prepares a list of write offs for authorisation by Housing Operations Manager

Attachment of Earnings

In certain circumstances NCC can ask an employer to repay the debt owed, in instalments from any salary due to the Former Tenant. This can only be requested following a court order judgement and unless there is a court order against the former tenant, proceedings have to be instigated in order to follow this process.

Former Tenant arrears added to a Current Tenancy

Supporting information

If a current tenancy has been found to have former tenancy arrears from another NCC Property, these Former Tenant Arrears can be added to the Income Management Account as a sundry debt.

The tenant should be informed that they must make arrangements to clear this debt. However tenants must first clear any current arrears on their accounts and once this has been done, an agreement is made to continue to pay extra weekly rent in order to clear the former debt.

WRITE OFFS

All cases for submission for write off must be actioned in line with the Corporate Write off Policy. In all cases the Council's Contract and Finance Rules will be adhered to.

Rechargeable Repairs

- Repairing minor plaster cracks
- Internal decoration
- TV Aerial's (except communal aerials)
- Loose screws on cupboards, windows, doors or gate furniture
- Washing machine installation
- Curtain Rails
- Gaining entry to the property
- External door locks
- Additional House keys
- Reglazing windows
- Shower curtains and poles
- Laminate flooring
- Loose floor coverings and carpets
- Bolts and locks to outhouses or garden gates
- Plugs and fuses for electrical appliances
- Light bulbs, fluorescent tubes and starters
- Batteries for smoke detectors
- Clothes posts
- Security Chains
- Door Bells
- Blocked Gullies
- Sink and Bath plugs and chains
- Toilet seats
- Coat rails or hooks



Northumberland County Council

Revenues and Benefits Service

Discretionary Housing Payments Policy

Introduction

1. The Discretionary Financial Assistance Regulations 2001 (SI 2001 No.1167) gives powers to local authorities to award Discretionary Housing Payments (DHP) to provide financial assistance to benefit customers where it appears that they need help with their housing costs.
2. Housing costs are not defined in the regulations but in general housing costs means rental liability; however, housing costs can be interpreted more widely to include:
 - rent in advance
 - deposits
 - other lump sum costs associated with a housing need such as removal costs.
3. DHP are not payments of benefit and if made will be in addition to Housing Benefit awards. The legislation gives a very broad discretion but decisions must always be made fairly, reasonably and consistently.
4. The general features of the scheme are:
 - the amount the Council can pay out is cash limited by the Government,
 - the scheme is purely discretionary; a customer does not have a statutory right to a payment,
 - It is for the Council to determine how the scheme operates.

Policy Aims

5. The function of the policy is to specify how the Council will operate the DHP scheme and to illustrate some of the factors that will be considered when deciding if a payment can be made.
6. The primary aims of the policy are to prevent homelessness, to alleviate housing need, and to ensure that Northumberland residents have fair and equal access to all services and monies to which they may be entitled by virtue of their situation.
7. The Council is committed to working with the local voluntary sector, social landlords and other interested parties to maximise entitlement to benefit and this will be reflected in the administration of the DHP scheme.
8. The Council will consider making a DHP to customers who meet the qualifying criteria as specified in this policy. They will also treat all applications on their own individual merits and will seek through the operation of this policy to help:
 - alleviate poverty,
 - encourage and sustain Northumberland's residents in employment,
 - safeguard Northumberland residents in their homes,

- provide temporary support for those who are trying to help themselves,
- provide a temporary solution to enable people to make choices regarding their living accommodation,
- support the vulnerable in the local community,
- promote stability in the private rented sector,
- help customers through personal crises and difficult times

Responding to Welfare Reform.

9. This policy also sets out the Council's policy in using DHP to help those suffering severe hardship due to the Government's welfare reforms. These include changes made to Local Housing Allowances, reductions in Housing Benefit entitlement due to the introduction of size criteria in the social rented sector and the introduction of the Benefit Cap which, in the first instance, will see Housing Benefit reduced for most families where total benefits exceed £500 per week.
10. The Government funding for Discretionary Housing Payments will not compensate for the loss of benefit income to tenants in Northumberland. It recognises the government's intention for tenants to have to make hard choices and that Discretionary Hardship Payments will not be a substitute for these hard choices.

Social Sector Size Criteria

11. The Government has provided additional DHP funding relating to Social Sector Size Criteria aimed at supporting households with disabilities living in properties adapted for disability and foster carers with more than one additional room.
12. These are not the only groups who will need to be supported. Separated and divorced parents with child access arrangements will need additional support as well as tenants faced with exceptional hardship. It will not be possible to protect all tenants in these groups within the Government's funding contribution and additional considerations will need to be taken into account.

Benefit Cap

13. The Benefit Cap will impact mainly on families and is not expected to affect single people in Northumberland. The number of families affected is relatively small but the impact for many of the families is expected to be significant. The majority of the families affected will live in private rented accommodation but a number are renting in the social rented sector.
14. The Benefit Cap does not apply to families where the claimant is working for 24 hours a week or more. The longer term aim is to help families make the move into work. In the meantime support will be targeted to those families where:
 - financial support is required to facilitate a move to more affordable accommodation; or

- the shortfall in rent is too great to cover from other household income;
- alternative more affordable accommodation is not appropriate;
- a lower rent cannot be negotiated; and
- there is a real risk of the family becoming homeless.

Local Housing Allowance

15. The Local Housing Allowance changes, which affect only tenants in the private-rented sector, have been in force since April 2011. However, tenants already getting benefit at the time the changes came in received transitional protection for a while. The impact of the changes is dependent on:
- whether rents are reduced to reflect the new LHA rates; and
 - the levels at which Local Housing Allowances are set by the Valuation Office
16. In the first instance landlords should be encouraged to reduce rents in exchange for direct payments of Housing Benefit. Where this is not appropriate, Discretionary Housing Payments support will be targeted to those private sector tenants where:
- It is unlikely there would be alternative more affordable accommodation;
 - The tenant is subject to the Shared Accommodation Rate but requires an additional room under child access arrangements; or
 - There are exceptional circumstances that mean it is not appropriate for the tenant to move to more affordable accommodation.
17. Discretionary Housing Payments will not normally be made to tenants entering into a new tenancy. Local Housing Allowance rates are made public and most landlords are aware of the rates for the types of accommodation they provide. An exception to this will be where a tenant has had to move quickly, perhaps because they are fleeing domestic violence or there is another compelling reason.

Policy

18. The Council considers the DHP scheme should be seen primarily as a short-term emergency fund. The Council recognises the restrictions on DHP contained in the Regulations and will not seek to make a payment in circumstances where there can be no eligibility. In particular, there shall be no award of DHP unless the customer has some entitlement to Housing Benefit.

Making an Application

19. An application for DHP can be made in writing, by telephone, email or in person. A customer can make an application on his or her own behalf, and the Council will also accept an application from a customer's relative, friend, legal or personal representative.

20. The Council shall take reasonable steps to verify that any such representative has the customer's authority to act on their behalf with the Council on benefit matters.
21. Supporting information may also be supplied as well as representations from any organisation representing or acting on behalf of the claimant.
22. The Council may request information and evidence in support of a DHP application. Any request will be made in writing. The customer will have one month to comply with the request, or such longer time as is reasonable.

What may be considered?

23. In deciding whether to make a DHP the Council may take into account any or all of the following:
 - the shortfall between Housing Benefit and the customers actual liability,
 - any steps taken by the customer to reduce their rental liability,
 - the circumstances surrounding the customers move,
 - the financial and medical circumstances (including ill health and disabilities) of the customer, their partner and any dependents or other occupiers of the customers home,
 - the income and expenditure of the customer, their partner and any dependents or other occupants of the customers home, including income disregarded by the Housing Benefit Regulations 2006 and Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006
 - any savings or capital that might be held by the customer or their family,
 - the level of indebtedness of the customer and their family,
 - the discriminatory impact of any legislative or other circumstances – for example, the lower rates of benefit available to persons aged under 35,
 - the exceptional nature of the customer and their family's circumstances,
 - the amount available in the DHP budget at the time of the application,
 - the possible impact on priority homeless accommodation;
 - any other special circumstances brought to the attention of the Council
24. Where a DHP is made this does not guarantee a further payment will be made at a later date even if the customers circumstances remain the same.

Making a decision:

25. The Council will decide what amount, if any, to pay based on all of the circumstances. This can be any amount within the limits prescribed by the Discretionary Financial Assistance Regulations 2001.

26. The start date of a DHP will usually be:
- the Monday after the Council receives the application, or
 - the date entitlement to Housing Benefit started, or
 - the Monday after a relevant change of circumstances giving rise to the need for a DHP
- whichever is the most appropriate.
27. A DHP will not be paid for any period for which there is no entitlement to either Housing Benefit under the statutory scheme.
28. The length of a DHP award shall depend on the individual circumstances of the case. Any award shall be subject to review, which can be undertaken during or at the end of the period for which the DHP is paid.
29. On review, the Council may authorise an extension of any DHP, either at the same or a different weekly rate.
30. The Council will consider any reasonable request for backdating a DHP but such consideration will usually be limited to the current financial year.
31. The Council will aim to make a decision on all DHP within ten working days from the receipt of all relevant information.

Payment & Administration

32. DHP will be administered by the Revenues and Benefits Team and usually paid together with Housing Benefit.
33. The Council will decide upon the most appropriate person to pay and the method and timing of payments based on the particular circumstances of the case.

Notification

34. The Council will notify the customer of the outcome of their application in writing in every case. The decision notice will include:
- the weekly amount, the period of the award, how, when and to whom payment will be made,
 - if unsuccessful, a brief explanation of why DHP was refused,
 - the requirement to report any relevant change,
 - the opportunity to seek a review.

Changes in Circumstance

35. The Council may need to revise an award where the customer's circumstances have materially changed.

What Discretionary Housing Payments cannot cover

36. Ineligible charges: service charges that are not eligible for HB cannot be covered by a DHP. These are as specified in Schedule 1 to the Housing Benefit Regulations 2006 and Schedule 1 to the Housing Benefit (Persons

who have attained the qualifying age for state pension credit) Regulations 2006. Nor can DHPs cover charges for water, sewerage, and environmental services – as defined and calculated under the HB provisions.

37. Increases in rent due to outstanding rent arrears: Regulation 11(3) of the Housing Benefit Regulations 2006 and Regulation 11(2) of the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006 refer. This refers to those cases where a customer's rent is increased on account of outstanding arrears which are owed by the customer in respect of their current or former property.
38. Sanctions and reductions in benefit: DHPs cannot meet these because to do so would undermine the effectiveness of the sanctions or reduction in benefit. These are
 - any reduction in Income Support (IS) or income-based Jobseeker's Allowance (JSA(IB)) due to a Reduced Benefit Direction (RBD) for failure to comply with the Child Support Agency in arranging maintenance. The RBD is a reduction in benefit of 40% of the personal allowance and only applies to IS or JSA(IB)
 - any reduction in benefit as a result of non-attendance at a work-focused interview. This applies both where the person's HB/CTS is reduced and when any other benefit that the person is receiving, such as IS is subject to a sanction
 - any reduction or loss of benefit due to a JSA employment sanction. JSA is not payable for the period of sanction if they have contributed towards their unemployed status, for example, by leaving employment voluntarily or failing to attend a prescribed training scheme. In such cases, it may be possible for a reduced rate of JSA to be paid under the JSA hardship provisions
 - any reduction in benefit due to a JSA sanction for 16/17 year olds – for certain young people who receive JSA under a Severe Hardship Direction. JSA is not payable for the period of the sanction if they have contributed towards their unemployed status, for example, by leaving unemployment voluntarily or failing to attend a prescribed training scheme,
 - or any restriction in benefit due to a breach of a community service order
39. Benefit suspensions: HB can be suspended either because there is a general doubt about entitlement or because a customer has failed to supply information pertinent to their claim. In such cases, it would not be permissible to pay DHPs instead. One of the intentions of the suspension provisions is to act as a lever to ensure that the customer takes the necessary steps to provide the authority with the necessary information/evidence - paying DHPs could reduce the effectiveness of this lever.

40. Rent, when the person is getting council tax support but not HB or help with housing costs in UC: in other words, when a person is only getting local council tax support, you should not take into account any financial assistance that they may require with their council tax, when considering the award of a DHP.
41. Shortfalls caused by HB overpayment recovery: when recovery of an HB overpayment is taking place, such shortfalls should not be considered for a DHP.

Appeals

42. As DHP are not payments of Housing Benefit they are not subject to the statutory appeals procedure which governs those benefits. Any request for a review of a DHP decision will be dealt with in the following way:
 - A customer (or their appointee or agent) who disagrees with a DHP decision may seek a review by writing to the Revenues and Benefits Manager giving their reasons for the disagreement. The Revenues and Benefits Manager will consider the issues in dispute and will either confirm or revise the original decision. The Revenues and Benefits Manager's decision will be notified in writing to the customer together with the reasons for that decision. This decision will be the final decision of the Council.

Overpayments

43. The Council will seek to recover any DHP found to be overpaid. Normally, this will involve issuing an invoice to the customer or the person to whom the award was paid. Under no circumstances will recovery be made from any amounts of Housing Benefit due to the customer (except if the customer requests this method of recovery).

Fraud

44. The Council is committed to the fight against fraud in all its forms. A claimant who tries to fraudulently claim a DHP by falsely declaring their circumstances or providing a false statement or evidence in support of their application may have committed an offence. Where it is alleged, or the Council suspects, that such a fraud may have been committed, the matter will be investigated. If fraud is found to have occurred, the DHP shall be recovered and the Council shall consider whether to impose any formal sanctions.

Publicity

45. The Council will publicise the DHP scheme. Leaflets are available and information regarding the scheme is on the Council website.

The Council shall make its publicity material available to partner organisations such as Citizens Advice, social landlords and relevant community groups, with a view to enabling them to disseminate information on the availability of DHPs to their members, clients or customers. The Council will on request make such information available in large print, Braille, or audio format or in languages other than English.



Northumberland County Council

Revenues and Benefits Service Rate Relief Policy

Introduction

1. This policy applies to National, Non-Domestic Rates (Business Rates) and provides the framework under which applications for rate relief will be considered.
2. Rate Relief can be either mandatory, discretionary or both and is granted in accordance with the Local Government and Rating Act 1997 and the Local Government Finance Acts 1988 and 2012 (as amended).
3. The policy specifies the factors that will be considered when deciding if an award can be made. Each case will be treated strictly on its merits and all customers will be treated equally and fairly.

Policy Aims

5. The aim of this policy is to ensure consistent and transparent decision making in relation to the discretionary elements of Rate Relief. The policy is intended to provide evidence that the interests of the council tax payer in granting rate relief are well served.
6. Awards should be consistent with wider Council and community objectives and provide greatest support to those organisations with closest alignment with those objectives.
7. This policy applies agreed criteria through a combination of some set awards for certain categories of organisation and a scoring matrix to determine the level of award for others.

Policy

8. The policy relates to awards concerning:
 - Rural Rate Relief
 - Charities and Not for Profit Organisations
 - Hardship Relief
 - Section 44A (relief on the grounds of part occupation)
 - Supporting Small Business Relief
 - Business Rates Revaluation Relief Scheme
 - Pub Relief Scheme
 - Newspaper Relief
 - Retail Discount Scheme 2019/20
 - Expanded Retail Discount Scheme 2020/21
 - Nursery Discount Scheme 2020/21
 - Local Discretionary Discount

Overview – Discretionary Rate Relief

9. The Council is empowered to offer a range of discretionary reliefs against national, non-domestic (business) rates. The cost of granting relief is borne both by Central Government and the Council and is determined by the type of relief as follows:

Relief Type	Cost to Council	Cost to Govt.
Rural	50%	50%
Charities – 20% top up to	50%	50%

mandatory relief		
Not for profit organisations and sports clubs	50%	50%
Hardship	50%	50%
Section 44A Partly Occupied Property	50%	50%
Supporting Small Business Relief	0%	100%
Pub relief	0%	100%
Business Rates Revaluation Relief Scheme	0%	100% up to the funding limit
Newspaper Relief	0%	100%
Retail Discount Scheme	0%	100%
Local Discretionary Discount	50%	50%
Expanded Retail Discount Scheme	0%	100%
Nursery Discount Scheme	0%	100%

Where relief is granted under Section 47 of the 1988 Act (Discretionary Relief) to organisations that are situated in an area designated as an Enterprise Zone 100% of the cost of relief will be funded by the Government.

10. The legislation that provides these reliefs allows the Council broad opportunity to exercise its discretion in how much to grant and under what circumstances. This discretion is welcomed but presents its own problems in that ratepayers and the general public need to be assured that decisions are taken equitably and openly and that Council money is directed appropriately.
11. To be effective the policy should ensure the greatest community gain from the finite funds the Council has available. The criteria should enable the Council to:
 - direct funds in accordance with the Council and community priorities;
 - allow transparent and consistent decision making;
 - assist businesses/organisations by making clear the criteria that they will be judged against, allowing them to adjust their business or organisational objectives to fit with the aims of the council, should they so wish; and
 - provide some protection against dispute
12. The criteria should be reviewed at such time that there is any substantial change in direction for the Council's Corporate Plan.
13. Eligibility for any relief and the relief itself will be assessed and calculated on a daily basis.
14. In each case the applicant ratepayer will be expected to provide financial and other details in support of their application without which the application will be refused.

Rural Rate Relief

15. The Local Government and Rating Act 1997 (as amended) provides for relief to qualifying rural business properties. The relief is provided under two broad categories:

- **mandatory relief** - 50% for qualifying rural businesses – sole general store, post office, petrol filling station, public house or any food shop
- **discretionary relief** – up to 100% for other rural business or as a top up to mandatory relief.

Note: From 1 April 2017 mandatory rural rate relief will be doubled to 100%. The Government intends to change the relevant primary legislation but expects Councils to use discretionary powers to increase relief to 100% from 1 April 2017.

- The legislation provides the basic tests for the discretionary relief, though it falls to individual local authorities to establish more detailed awarding criteria should they wish to.
- The legislation currently provides for the discretionary relief to be granted where:
 - The property falls within an identified rural area. To define this area the Council is required to establish and maintain a Rural Settlement List;
 - For applications of relief as a top up to mandatory the rateable value of the post office, general store and food store must be £8,500 or less. For the Public House and Petrol Filling Station the rateable value must be £12,500 or less;
 - For any other business the rateable value is not more than the specified threshold - currently £16,500 for discretionary relief only applications;
 - The property is not a qualifying general store, post office, petrol filling station, public house etc (these qualify for mandatory relief and can apply for a discretionary top-up);
 - The property benefits the local community; and
 - It is reasonable to award relief having reference to the council tax payers that part-fund the scheme.
- Whilst many of these criteria are easily tested the degree of community benefit is subjective. Without judging criteria any decisions may be viewed as arbitrary and become subject to dispute. By specifying the criteria, the Council can direct financial support in a way that meets the objectives of the Corporate Strategy and provides some measure of community benefit and reassurance that the interests of the council tax payer are met.
- The criteria will enable decisions to be based on the relative worth of a small range of key community benefits.
- The key criteria, based on community benefits and linking to the Council's priorities and objectives, are:

Community Benefit	Reason for including	Corporate Plan Principles
Scarcity of service/business provision	Recognise limitations of access to sparse local services	How, Enjoying, Connecting, Learning and Thriving values
Employment	Providing employment opportunities	Connecting, Learning and Thriving values

Community Benefit	Reason for including	Corporate Plan Principles
Additional community services	Business extends beyond its core activity to support communities	How, Living, Enjoying, Connecting, Learning and Thriving values
Business aimed at serving local community – within County and up to 5 miles beyond boundary	Helps maintain viability of communities and assists community cohesion whilst recognising that some communities extend beyond the County boundary	How, Living, Enjoying, Connecting, Learning and Thriving values
Business aimed at tourism and culture	Links to tourism led regeneration and supporting cultural heritage	How, Living, Enjoying, Connecting, Learning and Thriving values
Provides visitor accommodation	Encourages provision of overnight visitor accommodation and supports tourism led regeneration	How, Living, Enjoying, Connecting, Learning and Thriving values
Supports healthy/active lifestyles	Encourage healthy activity either by local people or visitors	Living, Enjoying, Learning and Thriving values
Provides services to other local business or promotes local produce/products	Supports other local business – strengthens local economy	How, Living, Enjoying, Connecting, Learning and Thriving values
Provides essential basic community need	Support basic needs of settlement - nursery, dentist, newsagent, hairdresser, repairing garage	Living, Enjoying, Connecting, Learning and Thriving values

21. Discretionary relief up to a maximum of 100% of the 50% rates liability will be awarded where the ratepayer is in receipt of mandatory rural relief. Any other rural business not in receipt of rural mandatory relief will be considered for relief up to a maximum of 100% of the rates liability.
22. Each case will require an application form to be completed.

Charities and Not For Profit Organisations

23. The Local Government Finance Act 1988 (as amended) provides for relief to charities under Section 43 and not for profit organisations under Section 47. The relief is provided under two broad categories:
 - **mandatory relief** - 80% for qualifying charitable organisations and community amateur sports clubs
 - **discretionary relief** – up to 100% for not for profit organisations including a top up to mandatory relief. To be eligible for consideration the ratepayer must be a non profit making body and the property used for charitable, philanthropic or religious purposes, or concerned with education, social

welfare, science, literature or fine arts, or used wholly or mainly for recreation by a not for profit club or society.

24. The legislation provides basic qualifying criteria. The Council is free to determine the basis for any award itself.

Criteria for Charities and Not For Profit Organisations

25. The criteria shown below and expanded on in annex 1 and 2 are to be applied to all applications that are not automatic awards (see paragraph 27 to 32).

General criteria

26. The following criteria are to be used to determine applications. The criteria are based on establishing community value of the organisation and demonstrating consistency with Corporate Plan priorities. The criteria support the following Corporate Plan 2018-21 delivery priorities: “We want to be efficient, open and work for everyone” [How]; “We want you to feel safe, healthy, and cared for” [Living]; “We want you to love where you live” [Enjoying]; “We want you to have access to the things that you need” [Connecting]; “We want you to achieve and realise your potential” [Learning], and, “We want to attract more and better jobs” [Thriving].
27. Applications are considered by scoring against the following criteria. Appendices 1 and 2 show the weighted scoring and award levels based on that scoring.

Community Benefit	Reason for including
Majority of users/membership from within County or surrounding area (5 miles of boundary)	Target support for local communities but recognise that some communities extend beyond the County boundary
Openness of use/membership	Whilst some limitations may be legitimate, through sporting ability perhaps, broad access should be provided
Encouraging users/membership from particular groups	Provide directed support to the disadvantaged or those requiring greater assistance to access opportunities
Reasonable membership fees	Fees not at a restrictive level
Facilities used by the community/other organisations	Rate relief would provide wider benefits
Affiliation to local or national representative bodies	Demonstrates the standing of the organisation
Education, training, coaching provided	Encourages personal development and increased employment/health prospects
The organisation attracts grant aid or raises income through fund raising	Be consistent and complementary in support of organisation
The service supports or assists in the provision of a service to help the Council to achieve its objectives?	Meets legitimate community need and frees the resources of other organisations. This may be where the need is new and has been identified as a community priority.

Automatic Awards

28. The Council has identified certain types of organisation that make a significant contribution to the County and its residents. In addition to the mandatory relief to which they are entitled and in recognition of the contribution that these organisations make, a 20% top-up of discretionary rate relief will be awarded in all cases. In order to ease the administration of these types of applications the qualifying criteria will be accepted as being met unless the following apply:
- a. The majority of users that benefit are not Northumberland residents
 - b. There is a restricted access to the service or facility
 - c. The fees/costs or membership are excessive or restricted.

In such cases a reduction in relief of 5% will be made for each element.

The organisations that will receive automatic relief are:

- Village Halls / Community Centres
- Scouts / Guides / Youth Clubs
- Leisure Centres

These organisations will be identified from their applications and supporting information.

29. Village Halls / Community Centres
Village Halls and Community Centres are an important asset within local communities and especially to the rural communities of Northumberland. Supporting these organisations, supports the Council's Corporate Strategy in promoting sustainable communities.
30. Scout/Guide/Youth Groups
These types of organisations provide a valuable framework of education and activities in order to engage the young people of the County to participate in positive activities, which develop their social skills, interests and talents. This supports the Council's objectives.
31. Leisure Centres
Leisure Centres are an essential part of the community and support the council's corporate objectives by offering affordable access to activities to improve the health of the residents of Northumberland.
32. All other applications for discretionary relief will be scored in accordance with the Council's rate relief criteria in annex 1 and 2.
33. Certain organisations or types of property may meet the essential criteria in order to be able to apply for relief, however, they either do not support the objectives of the Council or it is not in the interest of council tax payers to grant the relief. Applications from the following organisations will, therefore, not be supported in an application to receive top up discretionary relief:
- Schools, Learning Partnerships, Academies or similar. These organisations are centrally funded through the direct schools grant (these organisations will still be eligible to receive 80% mandatory relief).

- Community Asset Transfer arrangements after 1/4/12 (these organisations will still be eligible to receive 80% mandatory relief). This refers to the transfer of a service or a function that was previously provided by the Council and transferred to a charitable organisation. The Chief Executive shall have the power to waive this decision, in conjunction with the Portfolio Holder for Corporate Services, where the transfer under the Community Asset Transfer arrangements is seen to positively assist the County Council in achieving its objectives in a more cost-effective way and not to do so could cause unnecessary financial hardship to the community organisation.
- Housing Associations (these organisations will still be eligible to receive 80% mandatory relief). This exclusion applies to administrative offices but does not include applications in respect of community-based projects.

Specific situations

34. It is possible for the nature of the organisation to be at conflict with agreed community and Council objectives, for example, equalities and diversity, health inequalities and/or value for money for the local council tax payer. These conflicts require additional criteria to assist decision-making in specific situations.
35. **Existence of a bar** - A significant feature that should be taken into account in determining any relief is the existence of a bar and the significance of that bar against any other activity of the organisation. It could be viewed as inequitable to the council tax payer to support organisations whose dominant activity is the operation of a bar. Such support would not be consistent with promoting the Health & Wellbeing priority objective.
36. The initial test for the ratepayer, when applying for relief, is to establish the dominant objective of the organisation. For example, the dominant purpose may be to run a bar and premises for meeting purposes, such as a club or institute. Or the operation of a sports club with a bar may be ancillary in purpose to the furtherance of sporting activity.
37. No relief will be granted where the dominant objective of the organisation is the operation of a bar and associated activity.
38. **Charity shops** - Charity shops qualify for 80% relief and are able to apply for a 20% discretionary top up. Charity shops are a feature of most high streets and provide much needed opportunity for income generation for charitable organisations both of a national and local nature and provide a resource for those on low incomes.
39. Charity shops are increasingly competing with the high street at large and an increase in their number may affect the viability of the high street.
40. In accordance with this policy the 20% top up is not awarded for charity shops, with the exception of those shops that are occupied by 'local' charitable organisations in which case the 20% top up is awarded. The following definition of 'local' was agreed by the Executive:

“a charity established for purposes which are directed wholly or mainly to the benefit of residents and users in Northumberland (whether stated in the trusts of the charity or implicit in its purposes)”.

41. **Interest groups** - The central premise of rate relief is the value that is achieved for the council tax payer in making such an award. This premise infers local benefit at local cost.
42. Demonstrating local value can be a challenge where the organisation is based locally but has wider interests; regionally or nationally perhaps. Whilst there is value in having the organisation within the County it may be seen as inequitable for the local council tax payer to bear the cost.
43. These organisations can be seen as being the following:
 - **Administrative base** – degree of local benefit will depend on geographic area of interest and will range from substantial to minimal benefit. These could be a local trust who seeks to improve the local quality of life down to purely administrative offices for a national organisation.
 - **Advocacy organisations** – these groups provide a “voice” on issues affecting a broad range of people across the area in which they operate. They may not provide any specific or direct benefit to the people of Northumberland – their presence in the area is coincidental to their objectives and as such are less supportable in terms of rate relief and the costs that have to be borne by local people
 - **Support organisations** – these groups may be focused on specific issues, disability or health conditions across a wide geographic area but they provide tangible and direct benefits to local people. Their position within the County provides local people with greater opportunity than if the organisation were elsewhere and financial support is easier to justify.
44. The support provided to these organisations should be based on the degree of contribution to the County and its communities in accordance with the decision matrix at annex 1.
45. Any non-profit making organisation applying for discretionary rate relief (excluding a top up to mandatory relief) will be encouraged to apply for Small Business Rate Relief to reduce the potential cost of discretionary relief to the Council.
46. The legislation requires that a period of one years notice is give to ratepayers where a decision is made to vary the relief awarded where the variation results in the rates liability increasing.

The Localism Act 2011

47. Clause 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 to allow the Council to reduce the business rates of any local ratepayer (not just those that can be eligible for discretionary relief) by way of a local discount. The cost of funding any local discount that is granted will be met by way of a 50/50 split with Central Government.
48. Applications will need to be in writing and consideration will be given on a case by case basis in light of the guidance supplied and the full circumstances of each case.

Hardship Relief

49. Section 49 of the Local Government Finance Act 1988 allows the Council to reduce or remit business rates for any ratepayer that is suffering, or would suffer, hardship without the relief. In granting such relief the Council must consider if it is reasonable to do so, and be in the best interests of the council tax payer.
50. Considering applications on the basis of “reasonableness” and “the best interests of the council tax payer” are again subjective and open to suggestions of arbitrary decision making.
51. The guidance provided by the then Office of the Deputy Prime Minister requires that the Council does not adopt a blanket approach and should decide each case on its merits. However, within this guidance, rules can be adopted to direct local decision making.
52. To take account of the wider interests of the council tax payer it is appropriate to base decisions on the contribution of the business to the aims of the Council. In addition the likely sustainability of the business should be considered as it will rarely be in the best interests of the council tax payer to support a failing business in the longer term, particularly if that business makes little contribution to the local economy.
53. Rate relief has a role in regeneration by supporting business within the delivery themes of the Council’s Corporate Plan. Applied too late, not at all, or with too strict a view of hardship, is likely to have an adverse impact on business survival rates and give poor value for the local tax payer. If relief is applied at the right time, for the business, the return on investment may be shown in the resurgence of the business and job creation or maintenance.
54. Hardship relief is intended as a short to medium term measure to allow a business to develop, recover or manage a decline.
55. The criteria for determining the community worth of the business should be assessed against evidence of the existence of hardship and the likely future of the business.
56. The following information will be sought to judge hardship and future business prospects:

Factor	Evidence (not exhaustive)	Judgement criteria
Existence of hardship	Accounts or other financial statements	Would the payment of rates cause hardship? Does the business have the funds to pay the rates bill? Is the situation caused by a temporary cash flow problem?
Period of decline/hardship	Accounts or other financial statements	Relief is aimed at the short/medium term

Factor	Evidence (not exhaustive)	Judgement criteria
Reasons for current position	Statement on application	Was this caused by the ratepayers own improvidence, through external events, business set-up or some other reason? Does the ratepayer understand the cause of the position?
Actions taken by ratepayer to develop business, halt, reverse or manage decline	Statement on application	Is the ratepayer taking appropriate action? Is there a recovery plan in place? Is there a significant effect on local employment opportunities?
Expected period support required for	Statement on application	Is there an understanding of the future need for support? Is the need for support in the short/mid term only?
Expected outcome	Statement on application	What are the prospects of the business in the short to medium term? Is the business likely to survive if support is given? What are the benefits for the community?
External funding or support available and applied for	Support of Business Link, bank etc	Has the ratepayer sought and applied for help and funding elsewhere? What help and funding has been received?
General trading history	Accounts or other financial statements	Is there a history of adverse trading or of a temporary decline?
Ratepayers history of business success or failure	Statement on application, rating records	Is the ratepayer repeating previous failures?
Is this the sole business of the ratepayer?	Statement on application, rating records	Are other parts of the ratepayers business interests capable of providing supporting?

57. Awards of relief will be made subject to regular reviews that fit the circumstances of the business.

Partly Occupied Property

58. Section 44A of the Local Government Finance Act 1988 (as amended) provides the Council a discretion to grant relief where it appears that part of a property is unoccupied and will remain so for a 'short time only'.
59. It is not intended that Section 44A be used where part of a property is temporarily not used or its use is temporarily reduced. Instead, Section 44A is

aimed at situations where there are practical difficulties in occupying or vacating a property in one operation perhaps because new accommodation to which the ratepayer is moving is not fully ready for occupation and it is phased in over a number of weeks or months. Similarly, where a building or buildings become temporarily redundant it might be reasonable to grant relief for the unoccupied part.

60. Where it is proposed that Section 44A discretion is granted an apportionment of the Rateable Value of the occupied and unoccupied parts of the property will be sought from the Valuation Office.
61. Each application will be looked at on its own merit.
62. The cost of funding Section 44A relief will be met by way of a 50/50 split between Central Government and the Council.

Newspaper Relief

63. A £1,500 discount is available for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title, and per hereditament and subject to state aid limits.
64. The relief is available from 1st April 2017. It was originally for 2017/18 and 2018/19, but has been extended to 2024/25.
65. The relief is granted under Section 47 of the Local Government Finance Act 1988. The Council will be compensated for the cost of the relief.

Supporting Small Business Relief

66. This relief was introduced in the 2017 Spring Budget to assist ratepayers who were losing some or all of their small business rate relief or rural rate relief as a result of the change to their rateable value at the 2017 revaluation. The relief applies for the 2017 rating list.
67. To support those ratepayers the supporting small business relief will ensure that the increase per year in the amount payable is limited to the greater of:
 - A cash value of £600 per year (£50 per month), or,
 - The matching cap on increases for small properties in the transitional relief scheme
68. The relief is granted under Section 47 of the Local Government Finance Act 1988. The Council will be compensated for the cost of the relief by way of a Section 31 grant from Government.

Business Rates Revaluation Relief Scheme

69. In the Spring Budget on 8 March 2017 the Government announced the establishment of a £300 million discretionary fund over four years from 2017-18

to support those businesses that were facing the steepest increases in their business rates bills as a result of the 2017 revaluation.

70. The Government's intention is that each Council will be given a share of the funding to provide their own support to their local businesses by developing their own discretionary relief scheme to deliver targeted support to business ratepayers.
71. The level of funding for Northumberland County Council was confirmed at:

	£000
2017-18	963
2018-19	468
2019-20	193
2020-21	28

72. The Government expects the Council to deliver this through the use of discretionary relief powers under Section 47 of the Local Government Finance Act 1988.
73. A copy of the scheme that was approved at County Council on 1 November 2017 is attached at Annex 3.

Retail Discount Scheme 2019/20

74. The Government announced in the Autumn Budget on 29 October 2018 that there would be a Retail Discount Scheme for occupied retail properties with a rateable value of less than £51,000 in each of the financial years 2019/20 to 2020/21. The value of the discount will be one third of the bill after mandatory reliefs and other discretionary reliefs funded by Section 31 grants have been awarded. This was amended by Government at the 2020 Budget as part of measures to assist businesses with the COVID-19 pandemic. The discount for 2020/21 was increased to 100% with and the scheme was expanded for the financial year 2020/21 (see Expanded Retail Discount Scheme below).
75. Retail Discount is granted under Section 47 of the Local Government Finance Act 1988 and is subject to State Aid De Minimis Regulations. The Council will be compensated for the cost of the relief by way of a Section 31 grant from the Government.

Nursery Discount 2020/21 & 2021/22

76. As an extraordinary response to the coronavirus, the Government announced a business rates Nursery Discount on 18 March 2020. This relief will apply to hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage and which are subject to business rates in the year 2020/21. There will be no rateable value limit on the relief. This is a measure for the 2020/21 financial year only.

77. The Government is not changing the legislation relating to the reliefs available to properties. Instead, the Government will, in line with the eligibility criteria reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant relief.
78. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47 subject to State Aid limits. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).
79. Relief will be awarded to hereditaments occupied by providers on the Ofsted's Early Years Register and that are wholly or mainly used for the provision of the Early Years Foundation Stage. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation.
80. As announced at the Budget on 3 March 2021 by the Chancellor, the government will continue to provide eligible nursery properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £105,000 per business for other eligible properties.

Expanded Retail Discount Scheme 2020/21

81. The Government announced in the Budget on 29 October 2018 that it would provide a Business Rates Retail Discount, to apply in the years 2019/20 and 2020/21. In response to the coronavirus pandemic, in the Budget on 11 March the Government announced that it would increase the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23 March 2020 of further measures to limit the spread of coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that will have had to close as a result of the restriction measures will now be eligible for the relief. This relief will apply to occupied retail, leisure and hospitality properties in the year 2020/21. There will be no rateable value limit on the relief. Annex 4 below lists the types of properties eligible for this relief.
82. As this is a measure for 2020/21 only, the Government is not changing the legislation relating to the reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to

grant relief under section 47 subject to State Aid limits. Central government will fully reimburse local authorities for the local share of the discretionary relief using a grant under section 31 of the Local Government Act 2003).

Expanded Retail Discount Scheme 2021/22

83. On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022.
84. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief will be capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021. Annex 4 below sets out the types of properties eligible for this relief.

Retail, Hospitality and Leisure Business Rates Relief scheme 2022/23

85. At the Budget on 27 October the Chancellor announced the introduction of a new business rates relief scheme for retail, hospitality and leisure properties worth almost £1.7 billion in 2022/23.
86. The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
87. As this is a temporary measure for 2022/23 only, the government is not changing the legislation relating to the reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Annex 4 below sets out the types of properties eligible for this relief.

Public Lavatories

88. In 2021 the Non-Domestic Rating (Public Lavatories) Bill came into force which gives public lavatories 100% relief from business rates, it applies retrospectively from 1 April 2020.
89. The relief will not apply to toilets of a larger unit of rateable property (a hereditament”), for example, toilets in public libraries. It amends Part 3 of the Local Government Finance Act 1988 to ensure that, in relation to an eligible hereditament which consists wholly or mainly of a public lavatory, the chargeable amount will be zero. This provides, in effect, a 100% mandatory relief for eligible public lavatories in England and Wales.

90. The relief will be applied automatically to the business rates account.

Rate Relief Decisions and Appeals

91. Rate relief decisions, with the exception of Hardship, Section 44a and Local Discretionary Discounts are delegated to the Revenues Section. Where the cost to the Council of granting relief is between £50,000 and £100,000 decisions are delegated to the Revenues and Benefits Manager and Executive Director of Finance. Costs in excess of £100,000 are delegated to the Chief Executive.
92. Rate relief decisions for Hardship, Section 44a and Local Discretionary Discounts are delegated to the Revenues Manager and Revenues and Benefits Manager. Where the cost to the Council of granting relief is between £50,000 and £100,000 decisions are delegated to the Revenues and Benefits Manager and Executive Director of Finance. Costs in excess of £100,000 are delegated to the Chief Executive.
93. Requests for a review of a decision will be delegated to the Revenues and Benefits Manager and Executive Director of Finance unless the original decision has been made by those officers whereby the Chief Executive will undertake the review. If the review relates to a case determined by the Chief Executive the relevant Portfolio Holder will carry out the review.
94. For 20% top up to mandatory relief and not for profit organisations and sports clubs notice will be served on the ratepayer at the time of the award decision limiting discretionary awards to 24 months. The duration of hardship relief and Section 44a awards will be in accordance with the individual circumstances of the application. For all other relief types the duration of the award will be in line with Government guidance.
95. Where the Government announce a new business rates scheme after this policy has been annually reviewed the Chief Executive will have delegated powers in order to implement the scheme in line with the required legislation and timetable. This policy will then be updated at the next annual review.

Annex 1

Discretionary Rate Relief - charities and not for profit organisations

Specific Interest Organisations

					Score
1	What is the organisations service area?	National	Regional	Within Northumberland	
		-10	0	20	<input type="text"/>
2	Is the organisation and / or its facilities open to or for the benefit of, all members of the community?	No	Limited Restriction	Yes	
		0	5	10	<input type="text"/>
3	Are the organisation aims and objectives specifically targeted at helping disadvantaged and vulnerable groups?	No	Yes		
		0	10		<input type="text"/>
	Does the organisation provide education, training or coaching for its users / members?	None	Limited	Substantial	
		0	5	10	<input type="text"/>
5	Does the service support or assist in the provision of a service to help the Council achieve its objectives?	No	Limited	Substantial	
		0	10	20	<input type="text"/>
Total					<input type="text"/>
					<input type="text"/>

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Criteria Scoring

Charitable Organisations				
Not Supported	5%	10%	15%	20%
0 - 20	25	30	35	40

Non-Profit Making Organisations				
Not Supported	25%	50%	75%	100%
0 - 20	25	30	35	40

Criteria Scoring and Relief Percentages for Non-Profit Making Organisations

Annex 2

Discretionary Rate Relief - charities and not for profit organisations

	<30%	30-50%	50-70%	70%	
1 Do the majority of members / users come from the County or surrounding area? (5 mile outside boundary)	-10	3	6	10	<input type="text"/>
2 Is the organisation open to all members of the community?	Restricted	Limited Restriction	Open to all		<input type="text"/>
	0	5	10		<input type="text"/>
3 Does the organisation encourage membership / users from a particular group? (Ethnic Minorities, Disabled, Young Persons, OAP's, Working Parents)	No	Some	Actively		<input type="text"/>
	0	5	10		<input type="text"/>
4 Are the fees/costs reasonable for the service or facilities provided, which support accessibility and encourage participation / use?	No	Yes			<input type="text"/>
	0	10			<input type="text"/>
Is the building used by the organisation available to the community and other organisations?	No	Some Use	Substantial		<input type="text"/>
	0	3	10		<input type="text"/>
Is the organisation affiliated to a local or national representative body?	No	Yes			<input type="text"/>
	0	10			<input type="text"/>
7 Does the organisation provide education, training or coaching for its users/members?	None	Limited	Substantial		<input type="text"/>
	0	3	10		<input type="text"/>
8 Does the organisation attract grant aiding or generate income through fund raising activities or self help?	No	Yes			<input type="text"/>
	0	10			<input type="text"/>
9 Does the service support or assist in the provision of a service to help the Council to achieve its objectives?	No	Yes			<input type="text"/>
	0	20			<input type="text"/>
				Total	<input type="text"/>

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Not Supported							Supported						
Nil				25%			50%			75%			100%
5	10	15	20	25	30	35	40	45	50	55	60	65	66+

Criteria Scoring and Relief Percentages for Charitable Organisations - 20% top up

Not Supported							Supported						
Nil				5%			10%			15%			20%
5	10	15	20	25	30	35	40	45	50	55	60	65	66+



Northumberland
County Council

Revenues and Benefits Service

**Business Rates Revaluation Relief
Scheme**

Introduction

1. In the Spring Budget on 8 March 2017 the Government announced the establishment of a £300 million discretionary fund over four years from 2017-18 to support those businesses that were facing the steepest increases in their business rates bills as a result of the 2017 revaluation.
2. The Government's intention is that each Council will be given a share of the funding to provide their own support to their local businesses by developing their own discretionary relief scheme to deliver targeted support to business ratepayers.
3. The level of funding for Northumberland County Council was confirmed at:

	£000
2017-18	963
2018-19	468
2019-20	193
2020-21	28

4. The Government expects the Council to deliver this through the use of discretionary relief powers under Section 47 of the Local Government Finance Act 1988.
5. The Council will be compensated through a Section 31 grant for the cost to the Council of granting the relief up to the levels set out in paragraph 3 above.
6. There is a requirement to consult with major preceptors before a scheme is adopted.

Scheme Aims

7. The aim of this scheme is to ensure that support is provided to those businesses that are facing the steepest increases in their business rates bills as a result of the 2017 revaluation.
8. Support will be targeted at small and medium sized businesses adversely affected by the 2017 revaluation.
9. The Council is committed to ensuring the discretionary fund will be maximised in each financial year but not exceeded.
10. To support ratepayers facing an increase in business rates by limiting the impact of the revaluation.
11. To support businesses in a fair and proportionate manner in line with Government's intentions.
12. Relief will be applied to empty property as this will be an incentive to new businesses to take on empty properties.

Scheme Rules & Eligibility Criteria

13. A property qualifies if:
 - There was an entry in the Valuation List for the property on 31 March 2017 and 1 April 2017.
 - There has been an increase in the rate liability as a result of the 2017 revaluation exceeding £300.
 - The Rateable Value of the property is less than 200,000 as at 1 April 2017.
14. Revaluation Relief will be applied to occupied and empty properties.
15. Revaluation Relief will be applied against the net rates bill after all other reliefs.
16. Eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.
17. New ratepayers of qualifying properties after 1 April 2017 will benefit from the relief and it will be applied pro rata.
18. The amount of relief awarded will reduce and be apportioned where a ratepayer vacates the property during the year.
19. The amount of relief awarded will reduce and be apportioned where a ratepayer qualifies for any other relief during the year.
20. Where the rateable value of the property is reduced by the Valuation Office Agency the relief will be reduced or removed where the scheme rules and eligibility criteria are no longer met.
21. Where the rateable value of a property is increased with an effective date of after 1 April 2017 (by the Valuation Office Agency), the increase in rateable value will not qualify for additional relief under this scheme.
22. Revaluation Relief will be awarded as follows:

2017-18	relief provided to cap the increase in business rates as a result of the 2017 revaluation at £300 for all qualifying businesses*
2018-19	50% of the relief entitlement in Year 1 of the scheme*
2019-20	20% of the relief entitlement in Year 1 of the scheme*
2020-21	3% of the relief entitlement in Year 1 of the scheme*

* subject to annual review

Exclusions

Revaluation Relief will not be granted to the following:

23. Occupied or empty properties where the ratepayer is a multinational or national chain companies (including parent companies). The definition of multinational and national chain companies (including parent companies) is 'any company who owns a number of properties and/or businesses spread across various locations nationwide or world-wide'

24. In accordance with Section 47 of the Local Government Finance Act 1988 certain properties are excluded from discretionary business rates relief. These are properties that are occupied in full, or part, by the billing authority or a precepting authority.
25. Properties owned or occupied by ratepayers who receive funding from central government.
26. New properties, newly constituted property and split or merged property.
27. Businesses who receive full Small Business Rates Relief for the property are not included in the scheme as they have no rates liability.
28. Periods of occupation for known rates avoidance schemes.

Awards of Revaluation Relief

29. Relief will be awarded automatically for qualifying properties and there will be no application process. A signed declaration will be required to confirm that state aid limits have not been exceeded (see 32 below).

Notice Periods

30. A termination notice will be served on the ratepayer at the time of the award decision initially limiting the award to 31 March 2019. This is in line with the requirements of the Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059).
31. Termination dates for years 3 and 4 of the scheme will be 31 March 2020 and 31 March 2021 respectively.

State Aid

32. The awarding of discretionary relief under this scheme will be subject to state aid to the European Union State Aid de-minimis limits and therefore a declaration of previous state aid received will be required to be completed.

Appeals

33. Requests for a review of a decision will be delegated to the Section 151 Officer and the Revenues & Benefits Manager.

Review

34. The scheme will be subject to a review as required.

Annex 4 – Qualifying properties for the purposes of the Expanded Retail Discount Scheme for 2020/21, 2021/22 and Retail, Hospitality and Leisure Business Rates Relief scheme 2022/23

Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:

- a. as shops, restaurants, cafes, drinking establishments, cinemas and live music venues,
- b. for assembly and leisure; or
- c. as hotels, guest & boarding premises and self-catering accommodation.

It is considered that shops, restaurants, cafes, drinking establishments, cinemas and live music venues to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/caravan show rooms
- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/TV/domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire
- Employment agencies
- Estate agents and letting agents
- Betting shops

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways

- Sandwich shops
- Coffee shops
- Pubs
- Bars

iv. Hereditaments which are being used as cinemas

v. Hereditaments that are being used as live music venues:

- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience.

It is considered assembly and leisure to mean:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities).

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. Hereditaments that are being used for the assembly of visiting members of the public.

- Public halls
- Clubhouses, clubs and institutions

It is considered hotels, guest & boarding premises and self-catering accommodation to mean:

i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, Guest and Boarding Houses
- Holiday homes
- Caravan parks and sites

To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, hereditaments which have closed temporarily due to the government's advice on COVID19 will be treated as occupied for the purposes of this relief.

The list set out above is not intended to be exhaustive and there may be properties that are not listed but are broadly similar in nature to those above and may be considered separately.

The list below sets out the types of uses that the Council does **not** consider to be an eligible property use for the purpose of this relief.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public

- Financial services (e.g. banks, building societies, cash points, bureaux de change, short-term loan providers)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/financial advisers)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public.



Northumberland

County Council

REVENUES AND BENEFIT SERVICE

HOUSING BENEFIT

WAR PENSION AND ARMED FORCES COMPENSATION DISREGARD POLICY

Introduction

1. The Housing Benefit Regulations 2006 make provision for the first £10.00 of income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme to be disregarded in any benefit assessment. The cost of this disregard is fully reimbursed to the Council.
2. The Social Security Administration Act 1992 gives the Council discretion to disregard any amount it chooses in addition to the statutory provision. Since 2009/10 the Council has taken advantage of this provision and fully disregarded income claimants receive from the War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Schemes.

Policy Aims

3. The policy aims to:
 - Ensure income from the schemes is treated consistently when assessing entitlement to housing benefit;
 - Ensure that everyone gets fair treatment and equal opportunity;
 - Promote a transparent and simple process that is easily understood; and
 - Provide staff with guidance for making reasonable, fair and consistent decisions.

Policy

4. The Council will fully disregard income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme when assessing entitlement to Housing Benefit.



Northumberland
County Council

Corporate Fraud Team

Counter Fraud Policy

1 Introduction

- 1.1 Northumberland County Council is a major provider of services to the community, and as such the Council's members and staff have a responsibility to ensure the highest standards of probity are maintained.
- 1.2 Under the provisions of the Local Government Act 1972 (s.151) the Council has a statutory responsibility to protect and ensure the proper administration of public funds.
- 1.3 Northumberland County Council is committed to sound corporate governance and has demonstrated this by adopting a Code of Corporate Governance in accordance with National and Professional Standards. This requires the Council to define the standards of personal behaviour and conduct that members and staff and those involved in service delivery are expected to display.
- 1.4 An integral element of this approach is the Council's determination to eradicate fraud and corruption whether it is attempted from within or outside the Council.
- 1.5 It is important to emphasise that the County Council has traditionally had a good record with respect to probity and the instances of detected fraud and corruption within its activities have been relatively few.
- 1.6 In administering its responsibilities the Council is committed to the highest ethical standards. It expects all its members and staff to lead by example in ensuring adherence to rules, procedures and recommended practices whilst maintaining conduct of the highest standards such that public confidence in their integrity is maintained.
- 1.7 The Council also expects that individuals and organisations that it comes into contact with will act towards the Council with integrity and without thought or actions involving fraud or corruption.
- 1.8 Members and staff need to be aware that fraud and corruption will not be tolerated under any circumstances and if they become aware of any malpractice or wrongdoing and they unreasonably fail to take appropriate action to eliminate that activity then they themselves become implicated in such acts.
- 1.9 If any individual has any information regarding malpractice or wrongdoing in the County Council this should be brought to the immediate attention of their Line Manager.
- 1.10 If a member of staff raises a concern regarding financial malpractice then the details must be passed immediately to the Corporate Fraud Manager for consideration of appropriate action. Managers should only establish the basic facts of the suspicion and should not attempt to carry out any investigation themselves.

2 Policy Aims & Objectives

- 2.1 This Policy is relevant to the priorities in the Corporate Plan 2018-21 and links to the corporate objective of 'wanting to be efficient, open and work for everyone. The Corporate Fraud Team contributes to the objective by being committed to the prevention, detection and investigation of internal and external fraud and by working in partnership with other agencies reducing the incidence of crime and theft against the Council.
- 2.2 Under the Council's Constitution and the Finance and Contract Rules, the Section 151 Officer has responsibility for the development and maintenance of an anti-fraud and anti-corruption strategy which includes the avoidance of involvement in money laundering.
- 2.3 This responsibility has been delegated to the Corporate Fraud Manager and through this Counter Fraud Policy the Corporate Fraud Team will;
- Provide an effective counter fraud service.
 - Develop and implement measures to prevent and detect all forms of fraud against the Council.
 - Develop a range of initiatives aimed at reducing and ultimately eliminating all forms of fraud and error as far as possible in Northumberland through the building of effective controls into our working practices.
 - Operate the counter fraud service in a secure environment.
 - Conduct high quality assessments with appropriate investigations when fraud is suspected to ensure that full compliance with legal requirements are met to enable prosecution where appropriate.
 - Take action where appropriate in line with the Corporate Enforcement Policy and use all legal sanctions available for recovery of any losses through fraud.
 - Provide all Corporate Fraud Team members with appropriate and regular training.
 - Deter internal and external fraud by publicising the Councils' anti-fraud measures, including details of how any type of suspected fraud may be reported and actively encouraging the public, employees and members to report such suspicions.
 - Regularly publicise successful prosecutions and achieved savings as a result of anti-fraud activity.

3 Linked Policies

- 3.1 This Policy should be read in conjunction with the following additional fraud related policies developed by the Corporate Fraud Team:
- Bribery & Corruption Policy

- Anti Money Laundering Policy
- 3.2 The County Council also has a Whistleblowing Policy which is maintained by HR in conjunction with the Monitoring Officer.
- 3.3 For further information on any of these policies or for advice on any potential fraud related concerns please contact:

Corporate Fraud Team

Telephone: 01670 624359

Email: fraudline@northumberland.gov.uk



Northumberland
County Council

Corporate Fraud Team

Bribery & Corruption Policy

1 Introduction

- 1.1 Bribery is a criminal offence. The County Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose nor does it or will it accept bribes or improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The County Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 The County Council is committed to the prevention, deterrence and detection of bribery. We have a zero-tolerance policy towards any type of bribery, corruption or fraud.

2 Policy Objectives

- 2.1 This policy provides a framework to enable employees and members to understand and implement arrangements enabling compliance. In conjunction with related policies referred to below it will enable employees and members to identify and report a potential breach.
- 2.2 We require all staff, including temporary agency staff and all contractors and their employees working on behalf of the County Council and all elected members to:
 - act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations in respect of the lawful and responsible conduct of activities.

3 Scope of this Policy

- 3.1 This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with this policy.
- 3.2 Within the Council the responsibility to control the risk of bribery occurring rests at all levels. It does not rest solely within assurance and audit functions, but in all business units and corporate functions and members exercising their Council functions.
- 3.3 This policy covers all staff at all levels and grades, including those permanently employed, temporary agency staff, contractors, non-executives, agents, members (including independent members), volunteers and consultants.

4 The County Council's Commitment

- 4.1 The County Council commits to:
 - Setting out a clear anti-bribery policy and keeping it up to date;
 - Making all employees and members aware of their responsibilities to adhere strictly to this policy at all times;
 - Encouraging its employees and members to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;

- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution;
- Taking firm and vigorous action against any individual(s) involved in bribery;

5 What is Bribery?

5.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

5.2 There are four criminal offences created by the Bribery Act 2010:

- bribery of another person (section 1) to induce or reward them to perform a function improperly;
- requesting or accepting a bribe (section 2) as a reward for performing a function improperly;
- bribing a foreign official (section 6) to gain a business advantage;
- failing to prevent bribery (section 7);

5.3 The last is a corporate offence of failure by a commercial organisation to prevent bribery intended to obtain or retain business, or an advantage in the conduct of business. An organisation will have a defence to this offence if it can show that it had in place adequate procedures (see below) designed to prevent bribery by or of persons associated with it.

5.4 An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both;
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both;

5.5 If an organisations is found guilty of an offence under section 7 it is liable to an unlimited fine.

6 What are Adequate Procedures?

6.1 Adequate procedures need to be applied proportionately, based on the level of risk guided by the six principles in the Government's Guidance. These principles are not prescriptive. They are intended to be flexible and outcome focussed.

6.2 They are:

6.3 Proportionate procedures

6.4 Procedures to prevent bribery should be proportionate to the bribery risks faced and to the nature, scale and complexity of activities. They are also clear, practical, accessible, effectively implemented and enforced. This policy explains the procedures.

6.5 Top level commitment

6.6 The top-level management should be committed to preventing bribery by persons associated with it. They foster a culture within the organisation in

which bribery is never acceptable. This Policy has accordingly been endorsed by the Chief Executive and the Audit Committee.

6.7 Risk Assessment

6.8 The Council assesses the nature and extent of its exposure to potential external and internal risks of bribery routinely and as an integral part of its usual procedures. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

6.9 Due diligence

6.10 The Council applies due diligence taking a proportionate and risk based approach in respect of persons who perform or will perform services for or on behalf of the council, in order to mitigate identified bribery risks.

6.11 Communication (including training)

6.12 The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood through communication, including mandatory training that is proportionate to the risks it faces.

6.13 Monitoring and review

6.14 The Council monitors and reviews procedures designed to prevent bribery by persons associated with it and improvements are made where necessary.

The County Council is fully committed to the implementation of these six principles.

7 Directions to Members, Staff & Suppliers

7.1 It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

7.2 Gifts and hospitality

7.3 The County Council policy in relation to gifts and hospitality is clearly outlined in the Staff Code of Conduct.

8 Public Contracts & Failure to Prevent Bribery

8.1 Under the Public Contracts Regulations 2006 a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence.

8.2 The County Council extends such automatic barring to any organisations convicted of an offence under the Bribery Act 2010 or any similar offence of fraud or dishonesty which might bring the relationship with the Council into disrepute.

9 Staff & Member Responsibilities

9.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those appointed as members, working for the council or under its control. All staff and members are required to avoid activity that breaches this policy.

9.2 You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

9.3 As well as the possibility of civil and criminal prosecution, all staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

10 Raising a Concern

10.1 The County Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

10.2 We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please report it as soon as possible.

10.3 There are multiple channels to help you raise concerns all of which are clearly outlined in the Whistle Blowing Policy.

10.4 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation.

10.5 We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

10.6 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions.

We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

- 10.7 We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.
- 10.8 If you have any questions about these procedures, please contact the Corporate Fraud Manager, the Chief Internal Auditor or the Monitoring Officer. Members with concerns should also contact one of these officers.

11 Linked Policies

- 11.1 This Policy should be read in conjunction with the following additional fraud related policies developed by the Corporate Fraud Team:
- Counter Fraud Policy
 - Anti-Money Laundering Policy
- 11.2 As outlined above, the County Council also has a Whistle Blowing Policy which is maintained by HR in conjunction with the Monitoring Officer.
- 11.3 For further information on any of these policies or for informal advice on any potential bribery and corruption or fraud related concerns please contact:

Corporate Fraud Team
Telephone: 01670 624359
Email: fraudline@northumberland.gov.uk



Northumberland
County Council

Corporate Fraud Team

Anti-Money Laundering Policy

1 Introduction

- 1.1 There have been significant changes to the legislation concerning money laundering which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework.
- 1.2 As a result, the obligations now impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.
- 1.3 The legislation in respect of Money Laundering is set out in the following:
 - Proceeds of Crime Act 2002 as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015;
 - The Money Laundering Regulations 2007;
 - The Terrorism Act 2000 as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007

2 Scope of the Policy

- 2.1 This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering.
- 2.2 The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.3 Further information is set out in the accompanying Guidance Note. Both the Policy and the Guidance Note sit alongside the Council's Whistleblowing Policy and its Counter Fraud and Corruption Strategy.

3 What is Money Laundering?

- 3.1 Under the Proceeds of Crime Act 2002, money laundering means:
 - concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Act);
 - entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);
 - acquiring, using or possessing criminal property (section 329);
- 3.2 Potentially any employee could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Guidance Note gives practical examples. This Policy sets out how any concerns should be raised.

3.3 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities - serious criminal sanctions may be imposed for breaches of the legislation.

4 What are the Obligations on the Council?

4.1 Organisations conducting “relevant business” must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity (their own or anyone else’s);
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

4.2 Not all of the Council’s business is “relevant” for the purposes of the legislation: it is mainly the accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services.

4.3 However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, all employees are required to comply with the reporting procedure set out in section 6 below.

4.4 The following sections of this Policy provide further detail about the requirements listed in paragraph 4.1.

5 The Money Laundering Reporting Officer

5.1 The Officer nominated to receive disclosures about money laundering activity within the Council is:

Executive Director of Finance
Northumberland County Council
County Hall
Northumberland
NE61 2EF

5.2 In the absence of the Executive Director of Finance, the Deputy 151 Officer is authorised to deputise and can be contacted at the above address.

6 Disclosure Procedure

Reporting to the Money Laundering Reporting Officer

- 6.1 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later.

SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.

- 6.2 Your disclosure should be made to the MLRO using the pro-forma report attached at Appendix 1. The report must include as much detail as possible, for example:
- Full details of the people involved (including your own, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
 - Full details of the nature of their/your involvement - If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the National Crime Agency (“NCA”), via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline;
 - The types of money laundering activity involved - if possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both;
 - The dates of such activities, including whether the transactions have happened, are on-going or are imminent;
 - Where they took place;
 - How they were undertaken;
 - The (likely) amount of money/assets involved;
 - Why, exactly, you are suspicious – the MLRO will require full reasons along with any other available information to enable him to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the NCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

- 6.3 Once you have reported the matter to the MLRO you must follow any directions he may give you. You must NOT make any further enquiries into the matter yourself, any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All employees will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 6.4 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of “tipping off” (see the Guidance Note for further details).
- 6.5 Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the disclosure by the MLRO

- 6.6 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the time-scale within which he expects to respond to you.
- 6.7 The MLRO will consider the report and any other available internal information he thinks relevant e.g.:
- reviewing other transaction patterns and volumes;
 - the length of any business relationship involved;
 - the number of any one-off transactions and linked one-off transactions;
 - any identification evidence held and undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 6.8 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case; and
 - whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 6.9 Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCA on their standard report form and in the

prescribed manner, unless he has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

- 6.10 Where the MLRO suspects money laundering but has a reasonable excuse for nondisclosure, then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.
- 6.11 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 6.12 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 6.13 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.
- 6.14 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 6.15 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.
- 6.16 Further information on how to make a report to the NCA is available from <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/specialist-capabilities/ukfiu/how-to-report-sars>

7 Client Identification Procedure

- 7.1 Where the Council is carrying out relevant business (accountancy, audit and certain legal services) and:
- a. forms an ongoing business relationship with a client; or
 - b. undertakes a one-off transaction involving payment by or to the client of 15,000 Euro (approximately £12,500) or more;
 - c. undertakes a series of linked one-off transactions involving total payment by or to the client(s) of 15,000 Euro (approximately £12,500) or more; or
 - d. it is known or suspected that a one-off transaction (or a series of them) involves money laundering then this Client Identification Procedure must be followed before any business is undertaken for that client. Please note that unlike the reporting procedure, the client identification procedure is restricted to those operating relevant business, i.e., Financial Services and Legal Services.
- 7.2 In the above circumstances, employees in the relevant unit of the Council must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones, but identification evidence is not required for matters entered into prior to 1 March 2004.
- 7.3 Once instructions to provide relevant business have been received, and it has been established that any of paragraphs 7.1 (a) to (d) apply, evidence of identity should be obtained as follows.

Internal clients:

- 7.4 Appropriate evidence of identity for Council divisions will be signed, written instructions on Council headed notepaper or an email on the internal email system at the outset of a particular matter. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

External Clients:

- 7.5 For external clients of the Council, appropriate evidence of identity will be written instructions on the organisation's official letterhead at the outset of the matter or an email from the organisation's e-communication system. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.
- 7.6 With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key

individuals in the organisation and of the organisation itself: please see the Guidance Note for more information.

7.7 In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

7.8 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

8.0 Record Keeping Procedures

8.1 Each section of the Council conducting relevant business must maintain records of:

- client identification evidence obtained; and;
- details of all relevant business transactions carried out for clients for at least five years.

This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

8.2 The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the divisions of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

9.0 Conclusion

9.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.

9.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

10 Linked Policies

10.1 This Policy should be read in conjunction with the following additional fraud related policies developed by the Corporate Fraud Team:

- Counter Fraud Policy
- Bribery & Corruption Policy

10.2 The County Council also has a Whistleblowing Policy which is maintained by HR in conjunction with the Monitoring Officer.

10.3 For further information on any of these policies or for advice on any potential fraud related concerns please contact:

Corporate Fraud Team

Telephone: 01670 624359

Email: fraudline@northumberland.gov.uk

APPENDIX 1 – Report of Suspected Money Laundering

PRIVATE AND CONFIDENTIAL

Report to Money Laundering Reporting Officer
re money laundering activity

To: Section 151 Officer
Northumberland County Council - Money Laundering Reporting Officer

From:
[insert name of employee]

Division:..... Ext/Tel No:.....
[insert post title and section]

DETAILS OF SUSPECTED OFFENCE

Name(s) and address(es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?
[Please delete as appropriate] Yes / No
If yes, please include details below:

Have you discussed your suspicions with anyone else?
[Please delete as appropriate] Yes / No
If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)
[Please delete as appropriate] Yes / No
If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to the NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?) [Please delete as appropriate] Yes / No
If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327-329 of the Act and which requires appropriate consent from the NCA?

[Please delete as appropriate] Yes / No
If yes, please enclose details in the box below:

Please set out below any other information you feel is relevant:
(Continue on a separate sheet if necessary)

Signed:.....

Dated:.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE:

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the NCA?
[Please delete as appropriate] Yes / No

If yes, please confirm date of report to NCA:

.....
and complete the box below:

Details of liaison with the NCA regarding the report:

Notice Period: to

Moratorium Period: to

Is consent required from the NCA to any on-going or imminent transactions which would otherwise be prohibited acts?
[Please delete as appropriate] Yes / No

If yes, please confirm full details in the box below:

Date consent received from NCA:

.....

Date consent given by you to employee:

.....

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

Date consent given by you to employee for any prohibited act transactions to proceed:

.....

Other relevant information:

Signed:.....

Dated:.....

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

APPENDIX 2 - Guidance Notes

INTRODUCTION

Historically, legislation seeking to prevent the laundering of the proceeds of criminal activity was aimed at professionals in the financial and investment sector, however it was subsequently recognised that those involved in criminal conduct were able to “clean” the proceeds of crime through a wider range of businesses and professional activities.

New obligations in respect of money laundering were therefore imposed by the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 (Subsequently replaced by the Money Laundering Regulations 2007) which broaden the definition of money laundering and increase the range of activities caught by the statutory control framework; in particular, the duty to report suspicions of money laundering is strengthened and criminal sanctions imposed for failure to do so.

As a result, certain areas of the Council’s business are now subject to the legislative controls and the Council is required, by law, to establish procedures designed to prevent the use of its services for money laundering. These procedures are set out in the accompanying Anti-Money Laundering Policy and all employees should be aware of the content.

This Guidance Note aims to provide further detail regarding the legal requirements and practical help in implementing the procedures.

THE LEGAL REQUIREMENTS

General

The law requires those organisations in the regulated sector and conducting relevant business to:

- implement a procedure to require the reporting of suspicions of money laundering, including the appointment of a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from their staff of money laundering activity (their own or anyone else’s);
- maintain certain client identification procedures; and
- maintain record keeping procedures.

Rather than referring to organisations as a whole, relevant business is defined with reference to the nature of the activities undertaken. Some of the Council’s business is “relevant” for the purposes of the legislation:

- the provision by way of business of advice about the tax affairs of another person by a body corporate

- the provision by way of business of accountancy services by a body corporate
- the provision by way of business of audit services
- the provision by way of business of legal services by a body corporate which involves participation in a financial or real property transaction (whether by assisting in the planning or execution of any such transaction or otherwise by acting for, or on behalf of, a client in any such transaction);
- the provision by way of business of services in relation to the formation, operation or management of a company or a trust;

It is therefore mainly the accountancy and audit services carried out by Financial Services and certain financial, company and property transactions undertaken by Legal Services which will be formally subject to the internal procedures, more detail of which is contained later in this Guidance.

However, although the conduct of relevant business does not apply to the Council as a whole, all members of staff are required to comply with the Council's Anti-Money Laundering Policy in terms of reporting concerns re money laundering; this will ensure consistency throughout the organisation and avoid inadvertent offences being committed.

The client identification procedure is only required to be followed by those engaging in relevant business as defined above.

The Offences

Under the legislation there are two main types of offences which may be committed:

- Money laundering offences
- Failure to report money laundering offences.

Money Laundering Offences:

Money laundering now goes beyond the transformation of the proceeds of crime into apparently legitimate money/assets: it now covers a range of activities (which do not necessarily need to involve money or laundering) regarding the proceeds of crime. It is technically defined as any act constituting an offence under sections 327 to 329 of the Proceeds of Crime Act 2002 i.e.:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327);
- entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);

- acquiring, using or possessing criminal property (unless there was adequate consideration) (section 329);
- an attempt, conspiracy or incitement to commit such an offence; or
- aiding, abetting, counselling or procuring such an offence.

“Criminal property” is widely defined: it is property representing a person’s benefit from criminal conduct where you know or suspect that that is the case. It includes all property (situated in the UK or abroad) real or personal, including money, and also includes an interest in land or a right in relation to property other than land.

It is likely that the law will treat you as knowing that which you do know or which is obvious, or which an honest and reasonable person would have known given the circumstances and the information you have. Consequently if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.

Although you do not need to have actual evidence that money laundering is taking place, mere speculation or gossip is unlikely to be sufficient to give rise to knowledge or suspicion that it is.

So the legislation now goes beyond major drug money laundering operations, terrorism and serious crime to cover the proceeds of potentially any crime, no matter how minor and irrespective of the size of the benefit gained. The case of P v P (8 October 2003) confirmed that “an illegally obtained sum of £10 is no less susceptible to the definition of criminal property than a sum of £1million. Parliament clearly intended this to be the case.”

The broad definition of money laundering means that potentially anybody (and therefore any Council employee, irrespective of what sort of Council business they are undertaking) could contravene the money laundering offences if they become aware of, or suspect the existence of criminal property, and continue to be involved in the matter without reporting their concerns.

The Council has appointed the Section 151 Officer, as the Money Laundering Reporting Officer (or in their absence their Deputy) to receive reports from employees of suspected money laundering activity.

Examples of money laundering activity:

By way of example, consider the following hypothetical scenarios:

- a. a social worker is assessing a service user's finances to calculate how much they should pay towards the cost of care, and then goes on to arrange for services to be provided and charged for; or
- b. the Executive Director, Wellbeing & Community Health Services is appointed as Court of Protection receiver and is responsible for managing the service user's

property and affairs; and in the course of which they become aware of, or suspect the existence of, criminal property.

In scenario (a) the social worker may commit an offence under section 328 by “being concerned in an arrangement” which they know/suspect “facilitates the acquisition, retention, use or control of criminal property” if he does not report his concerns; and in scenario (b) a similar offence may be committed along with an offence under section 329 of using or possessing criminal property. Any lawyer involved could also be guilty of an offence if he assists in the transaction.

Consider also the following hypothetical scenario: Social Services have convened a child protection case conference during the course of which it becomes clear that one of the parents is claiming benefits whilst working. Benefit fraud is a criminal offence, therefore the Social Services staff and any Council lawyer present would need to consider reporting their concerns to the MLRO, otherwise their involvement in the matter may amount to a breach of section 328.

Any person found guilty of a money laundering offence is liable to imprisonment (maximum of 14 years), a fine or both, however an offence is not committed if the suspected money laundering activity is reported to the MLRO and official permission obtained to continue in the transaction.

Defences are available if, for example, the person:

- makes an 'authorised disclosure' under section 338 to the NCA or MLRO and the NCA gives consent to continue with the transaction; such a disclosure will not be taken to breach any rule which would otherwise restrict that disclosure;
- intended to make such a disclosure but had a reasonable excuse for not doing so;
- re section 329, acquired, used or possessed the property for adequate consideration.

The Law Society Guidance states that this particular defence “...may also apply to the services provided by a solicitor. Crown Prosecution Service guidance for prosecutors (www.cps.gov.uk) states that the defence will apply where professional advisers, such as solicitors or accountants, receive money for or on account of costs (whether from the client or from another person on the client's behalf). However, the fees charged must be reasonable in relation to the work carried out, or intended to be carried out, as the defence will not be available if the value of the work is significantly less than the money received for or on account of costs.”

Possible signs of money laundering

It is impossible to give a definitive list of ways in which to spot money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

General

- A new client;
- A secretive client: e.g., refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity, identity or location of a client;
- Illogical third party transactions: unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of a substantial sum in cash (over £10,000);
- Overpayments by a client;
- Absence of an obvious legitimate source of the funds;
- Movement of funds overseas, particularly to a higher risk country or tax haven;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions (or the size, location or type of a client) is out of line with normal expectations;
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational;
- The cancellation or reversal of an earlier transaction;
- Requests for release of client account details other than in the normal course of business;
- Companies and trusts: extensive use of corporate structures and trusts in circumstances where the client's needs are inconsistent with the use of such structures;
- Poor business records or internal accounting controls;
- A previous transaction for the same client which has been, or should have been, reported to the MLRO;

Property Matters

- Unusual property investment transactions if there is no apparent investment purpose or rationale;
- Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking);

- Re property transactions, funds received for deposits or prior to completion from an unexpected source or where instructions are given for settlement funds to be paid to an unexpected destination;

Facts which tend to suggest that something odd is happening may be sufficient for a reasonable suspicion of money laundering to arise. In short, the money laundering offences apply to your own actions and to matters in which you become involved.

If you become aware that your involvement in a matter may amount to money laundering then you must discuss it with the MLRO and not take any further action until you have received, through the MLRO, the consent of the National Crime Agency (“NCA”). The failure to report money laundering obligations, referred to below, relate also to your knowledge or suspicions of others, through your work.

Failure to report money laundering offences:

In addition to the money laundering offences, the legislation sets out further offences of failure to report suspicions of money laundering activities. Such offences are committed where, in the course of conducting relevant business in the regulated sector, you know or suspect, or have reasonable grounds to do so (or should have known and suspected), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.

The Council’s Anti-Money Laundering Policy makes it clear that all members of staff should report any concerns they may have of money laundering activity, irrespective of their area of work and whether it is relevant business for purposes of the legislation.

If you know or suspect, through the course of your work, that anyone is involved in any sort of criminal conduct then it is highly likely, given the wide definition of money laundering, that the client is also engaged in money laundering and a report to the MLRO will be required.

As explained earlier, the value involved in the offence is irrelevant. If, for example, you reasonably suspect that someone has falsified their expenses claim, even if just by £1, then you would need to report that to the MLRO.

There are various defences, for example where you have a reasonable excuse for nondisclosure (e.g. a lawyer may be able to claim legal professional privilege for not disclosing the information) or you did not know or suspect that money was being laundered and had not been provided by the Council with appropriate training.

Given the very low risk to the Council of money laundering, this Guidance Note will provide sufficient training for most members of staff, although further guidance may be issued from time to time and targeted training provided to those staff more directly affected by the legislation.

You must still report your concerns, even if you believe someone else has already reported their suspicions of the same money laundering activity.

Such disclosures to the MLRO will be protected in that they will not be taken to breach any restriction on the disclosure of information.

If you are in any doubt as to whether or not to file a report with the MLRO then you should err on the side of caution and do so – remember, failure to report may render you liable to prosecution (for which the maximum penalty is an unlimited fine, five years' imprisonment, or both). The MLRO will not refer the matter on to the NCA if there is no need.

Tipping off offences

Where you suspect money laundering and report it to the MLRO, be very careful what you say to others afterwards: you may commit a further offence of “tipping off” (section 333) if, knowing a disclosure has been made, you make a disclosure which is likely to prejudice any investigation which might be conducted.

For example, a lawyer who reports his suspicions of a money laundering offence by a client to the MLRO, may commit a tipping off offence if he then reports his disclosure to that client. However, preliminary enquiries of a client to obtain more information (e.g. confirm their identity, clarify the source of funds) will not amount to tipping off unless you know or suspect that a report has been made.

Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom in these circumstances.

Prejudicing an Investigation offence

If you know or suspect that an appropriate officer is, or is about to be, conducting a money laundering investigation and you make a disclosure to a third party that is likely to prejudice the investigation, then you commit an offence.

Any person found guilty of a tipping off or prejudicing an investigation offence is liable to imprisonment (maximum 5 years), a fine or both.

However, defences are available for both such offences, for example:

- the person did not know or suspect that the disclosure was likely to be prejudicial; or
- he is a professional legal adviser and the disclosure was:
 - to any person in connection with legal proceedings (existing or contemplated);
 - but NOT where the information was given with the intention of furthering a criminal purpose.

Consideration of disclosure report by MLRO

Where the MLRO receives a disclosure from a member of staff and concludes that there is actual/suspected money laundering taking place, or there are reasonable grounds to suspect so, then he must make a report as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure.

Where relevant, the MLRO will also need to request appropriate consent from the NCA for any acts/transactions, which would otherwise amount to prohibited acts under section 327 – 329 of the 2002 Act, to proceed.

The MLRO may receive appropriate consent from the NCA in the following ways:

- specific consent;
- no refusal of consent during the notice period (seven working days starting with the first working day after the MLRO makes the disclosure); or
- refusal of consent during the notice period but the moratorium period has expired (31 days starting with the day on which the MLRO receives notice of refusal of consent).

The MLRO commits a criminal offence under section 331 of the Act if he knows or suspects (or has reasonable grounds to do so) through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

Relevant Guidance

When considering any offence under the legislation, the Court will consider whether you followed any relevant guidance approved by the Treasury, a supervisory authority, or any other appropriate body which includes, for example, the Law Society, the Financial Conduct Authority, the Institute of Chartered Accountants in England and Wales and other such bodies. Such guidance is available for lawyers and accountants by their respective professional bodies.

Internal Procedures

As mentioned earlier, the Money Laundering Regulations 2007 impose specific obligations on those carrying out relevant business, requiring them to:

- obtain sufficient knowledge to ascertain the true identity of clients in certain circumstances, by maintaining client identification procedures;
- ensure record keeping procedures (e.g. for evidence of identity obtained, details of transactions undertaken, for at least 5 years afterwards).

These procedures are contained in the Anti-Money Laundering Policy and further explanation of them is given below. Only those staff dealing with relevant business need comply with these procedures.

Client Identification Procedure

Where the Council is carrying out relevant business (accountancy, audit and certain legal services) and:

- a. forms an ongoing business relationship with a client; or
- b. undertakes a one-off transaction involving payment by or to the client of 15,000 Euro (approximately £11,000) or more; or
- c. undertakes a series of linked one-off transactions involving total payment by or to the client(s) of 15,000 Euro (approximately £11,000) or more; or
- d. it is known or suspected that a one-off transaction (or a series of them) involves money laundering;

then the Client Identification Procedure must be followed before any business is undertaken for that client.

Where the client is acting or appears to be acting for someone else, reasonable steps must also be taken to establish the identity of that other person (although this is unlikely to be relevant to the Council).

The law states that particular care must be taken when the client is not physically present when being identified: this is always likely to be the case for the Council, given that its relevant business can only be undertaken for other local authorities and designated public bodies (not individuals) and therefore instructions will usually be given in writing.

There are a limited number of exceptions where identification evidence does not need to be obtained, however these are unlikely to ever be relevant to the Council, given that it can only act for other public authorities and designated public bodies.

Satisfactory evidence of identity

Satisfactory evidence is that which:

- is capable of establishing, to the satisfaction of the person receiving it, that the client is who they claim to be; and
- does in fact do so.

General guidance on the money laundering legislation suggests that fairly rigorous identification checks should be made: for example, in relation to an organisation, that evidence should be obtained as to the identity of key individuals within the organization along with evidence of the identity of the business entity and its activity.

You will see, however, that the Council's Client Identification Procedure provides for only the most basic of identity checks – signed, written instructions on the organisation in question's headed paper at the outset of a particular matter. This is not because client identification is not important, but because of the need to introduce a procedure which is workable, appropriate to the nature of the Council as an organisation and proportionate to the risk to the Council of money laundering, which has been assessed as extremely low.

The following factors suggest a minimum level client identification procedure for the Council (in practice Financial Services and Legal Services) is appropriate:

For internal clients:

- we all work for the same organisation and therefore have detailed awareness of individuals and their location through previous dealings;

For external clients:

- the Council, as a matter of law can only provide services to local authorities and designated public bodies;
- they are therefore heavily regulated by their very nature;
- most are repeat clients, well known to us in terms of people and the business address;

Generally:

- We know most of our clients;
- We are not in private practice and are therefore subject to public sector controls;
- We are not large, city firms of lawyers and accountants, with international client bases.

Such signed, written instructions on headed paper should enable us to have confidence in accepting instructions from a known client. If, however, you are undertaking work for a new client, then you may also wish to seek additional evidence, for example:

- checking the organisation's website to confirm the business address;
- attending the client at their business address;
- asking the key contact officer to provide evidence of their personal identity and position within the organisation; for example signed, written confirmation from their Head of Service or Chair of the relevant organisation.

CONCLUSION

Given the nature of what the Council does and who it can provide services for, instances of suspected money laundering are unlikely to arise very often, if at all; however we must be mindful of the legislative requirements, as failure to comply with them may render individuals liable to prosecution.

Please take prompt and proper action if you have any suspicions and feel free to consult the MLRO at any time should you be concerned regarding a matter.

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Northumberland County Council

COMMITTEE: CABINET

DATE: 8TH FEBRUARY 2022

BUDGET CONSULTATION REPORT 2022-23

Report of: Cllr Richard Wearmouth

Executive Director of Finance

Purpose of report

This report provides a summary of results of the budget consultation undertaken between 10th December 2021 and 21st January 2022. The budget consultation helps to inform the Council's Budget and Medium-Term Financial Plan.

Recommendations

Cabinet is requested to:

- **Consider and note the summary results of the budget consultation undertaken between 10th December 2021 and 21st January 2022 as well as wider engagement undertaken.**

Link to Corporate Plan

As the budget consultation helps to inform the Council's budget and Medium-Term Financial Plan, it is aligned to all the priorities outlined in the Corporate Plan.

Key issues

1. It's important that the Council's budget reflects services and investments that are most important to residents and businesses in all communities across the County. From 10th December 2021 to 21st January 2022, we consulted on our budget proposals. This report sets out the summary results of that consultation as well as outlining other engagement undertaken.

Background

2. On 10th December 2021, the Council launched its online budget consultation. This was through an online survey tool and was open to anyone wishing to participate, including residents, businesses, partner organisations, Members and staff. The consultation was promoted through a variety of media channels. As the survey was online and open to all, the responses are not a 'statistical sample' of the population and therefore we are not presenting the results as representative of the population as a whole. However, the results do provide a useful sense of views across a range of stakeholders, including:

- Residents (94.55% of the responses);
- Local businesses;
- Charities;
- Community Groups;
- NCC staff who are residents;
- NCC Staff who are non-residents;
- Councillors;
- Public Sector;
- Other.

3. In total, we were very pleased to receive 312 responses to the consultation and thank everyone who took the time to share their views. In the consultation, we asked for views on each of the key services. For each of these areas we asked:

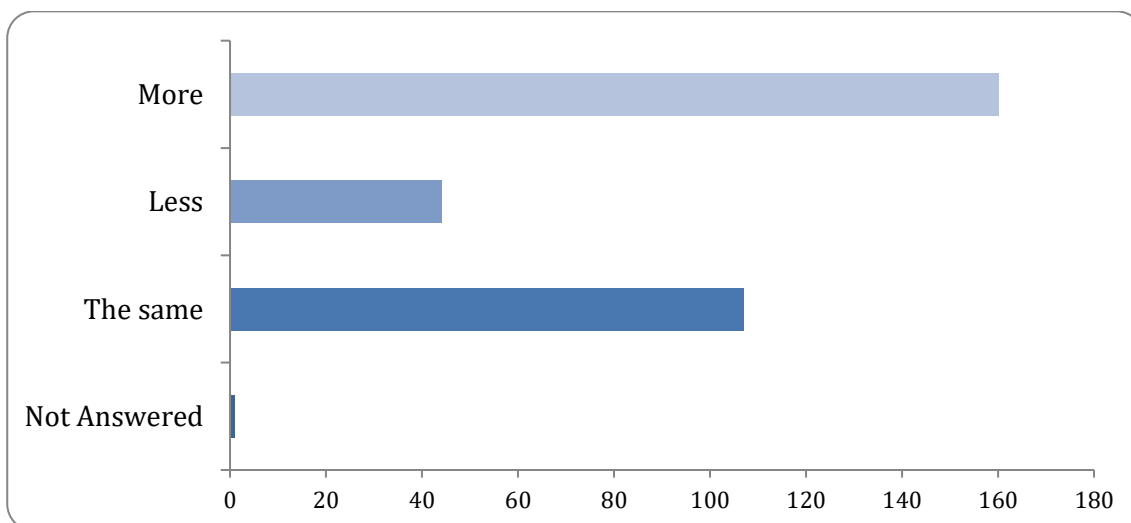
- (i) Would you spend more / less / same on these services?
- (ii) How important are these services to you ('extremely' / 'very' / 'important' / 'not very' / 'not at all')?

4. The following paragraphs summarise the responses to these questions, grouped by high-level service areas.

(i) **Adults' Wellbeing** – the vast majority of respondents (82%) viewed services to adults as 'important', 'very important' or 'extremely important'. Over a third (33.97%) ranked these services as extremely important. Some 86% of respondents would spend more (51.28%) or the same (34.29%) on these services, with 14% saying these would spend less.

Table 1 Adults' Wellbeing: Would you spend more, less or the same on this service?

There were 311 responses to this part of the question.

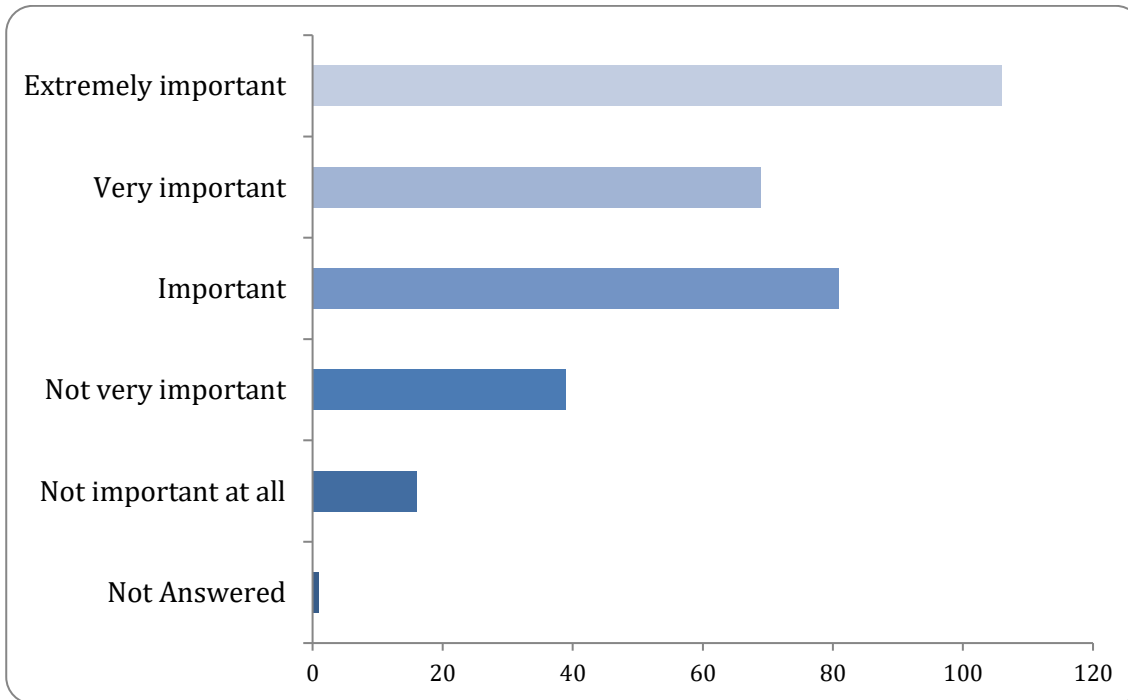


Option	Total	Percent
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More	160	51.28%
Less	44	14.10%
The same	107	34.29%
Not Answered	1	0.32%

Table 2 Adults' Wellbeing: **How important are these services to you?**

There were 311 responses to this part of the question.

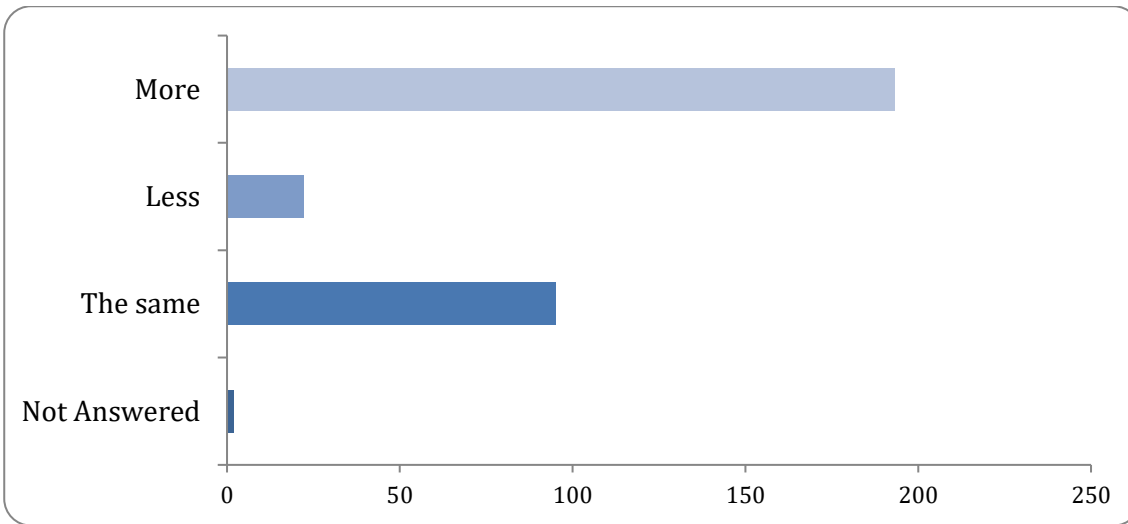


Option	Total	Percent
Extremely important	106	33.97%
Very important	69	22.12%
Important	81	25.96%
Not very important	39	12.50%
Not important at all	16	5.13%
Not Answered	1	0.32%

- (ii) **Children and Young People** – like Adult' Wellbeing, respondents attach high levels of importance to Children's Services. Some 88% viewed these services as 'important', 'very important' or 'extremely important', with 42% respondents ranking these services as 'extremely important'. Some 92% of respondents would spend more (62%) or the same (30%) on these services, with 7% saying these would spend less.

Table 3 Children and Young People: Would you spend more, less or the same on this service?

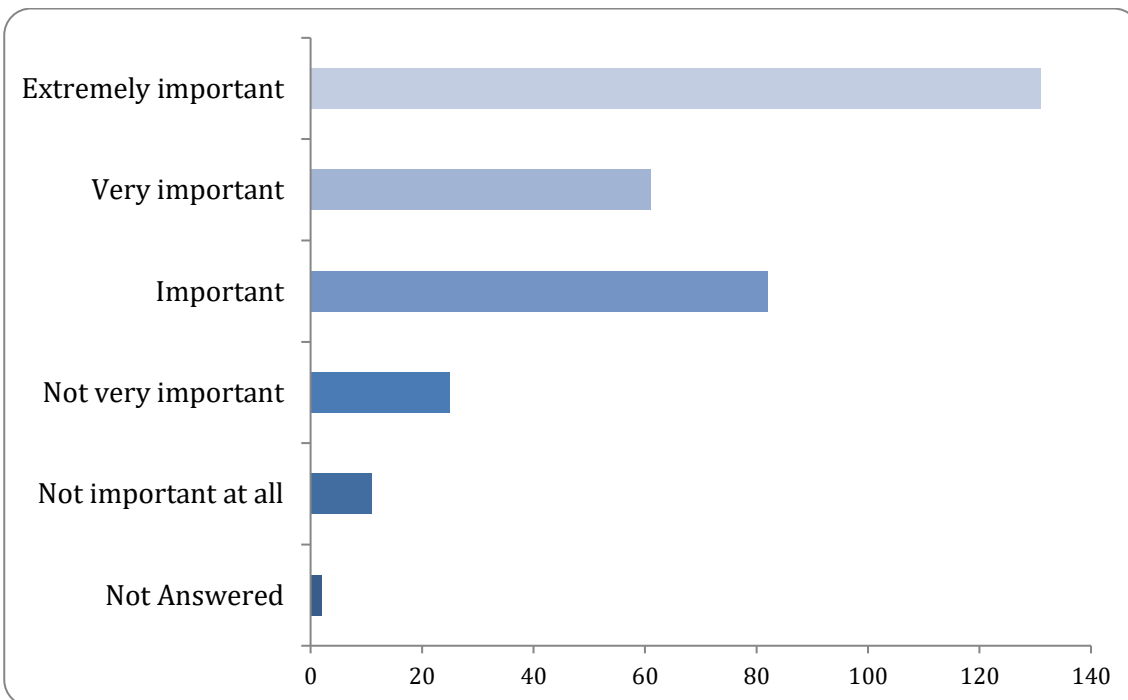
There were 310 responses to this part of the question.



Option	Total	Percent
More	193	61.86%
Less	22	7.05%
The same	95	30.45%
Not Answered	2	0.64%

Table 4 Children and Young People: How important are these services to you?

There were 310 responses to this part of the question.



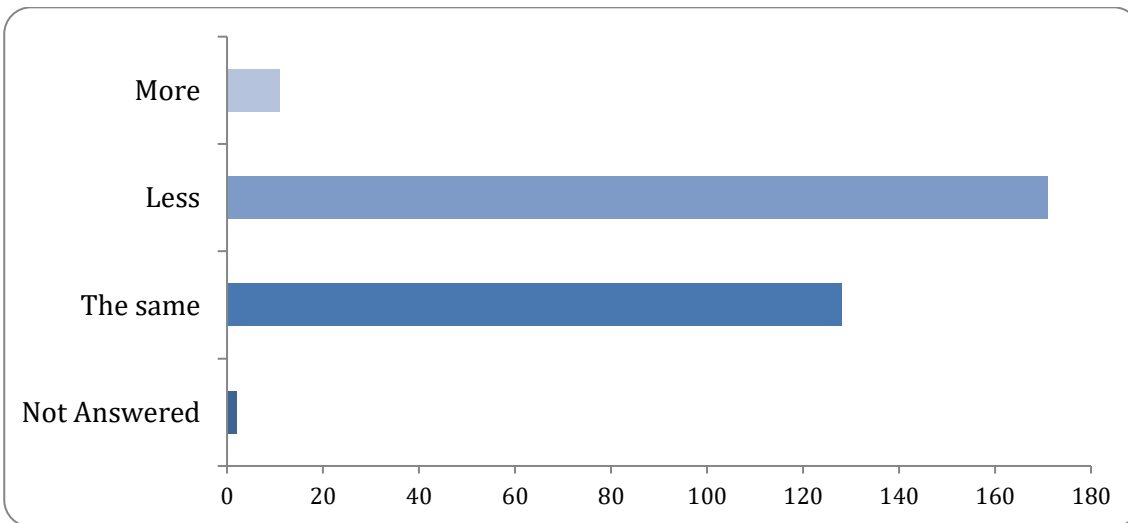
Option	Total	Percent
Extremely important	131	41.99%
Very important	61	19.55%
Important	82	26.28%

Not very important	25	8.01%
Not important at all	11	3.53%
Not Answered	2	0.64%

(iii) **Corporate Services** – these include a range of ‘back office’-type services such as HR, IT and Finance. Some 65% of respondents ranked these as ‘important’-extremely important’. Some 45% would spend more or the same level on these services, with 55% indicating they would spend less.

Table 5 Corporate Services: Would you spend more, less or the same on this service?

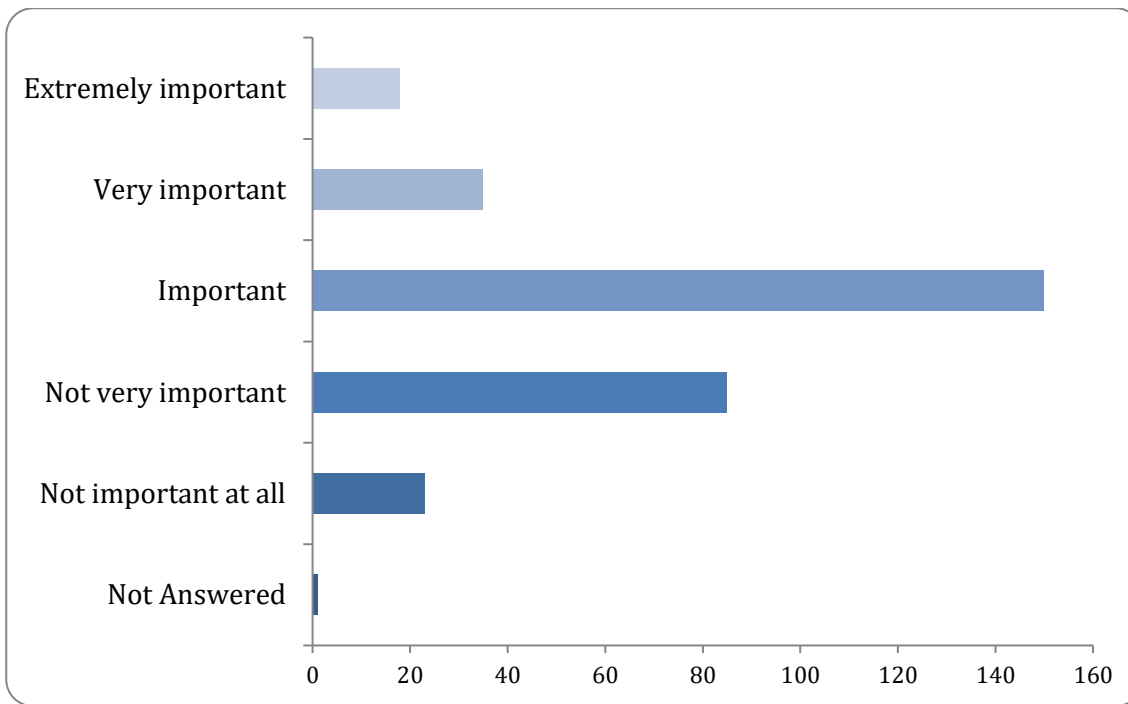
There were 310 responses to this part of the question.



Option	Total	Percent
More	11	3.53%
Less	171	54.81%
The same	128	41.03%
Not Answered	2	0.64%

Table 6 Corporate Services: How important are these services to you?

There were 311 responses to this part of the question.

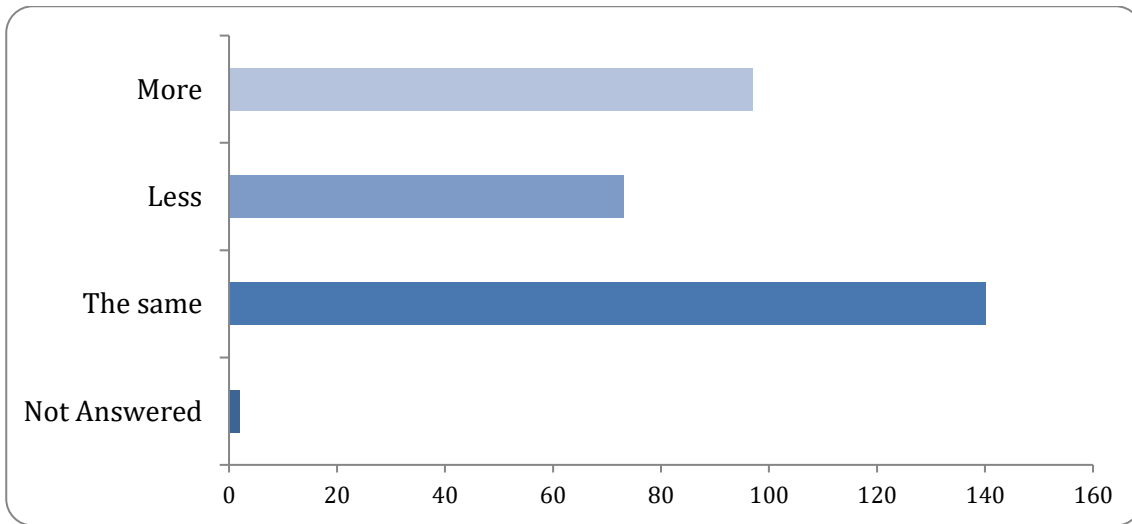


Option	Total	Percent
Extremely important	18	5.77%
Very important	35	11.22%
Important	150	48.08%
Not very important	85	27.24%
Not important at all	23	7.37%
Not Answered	1	0.32%

- (iv) **Healthy Lives** – some 78% of respondents ranked these services as either ‘important’, ‘very important’ or ‘extremely important’, with 76% indicating they would spend the same (45%) or more (31%) on culture, arts & leisure.

Table 7 Healthy Lives: Would you spend more, less or the same on this service?

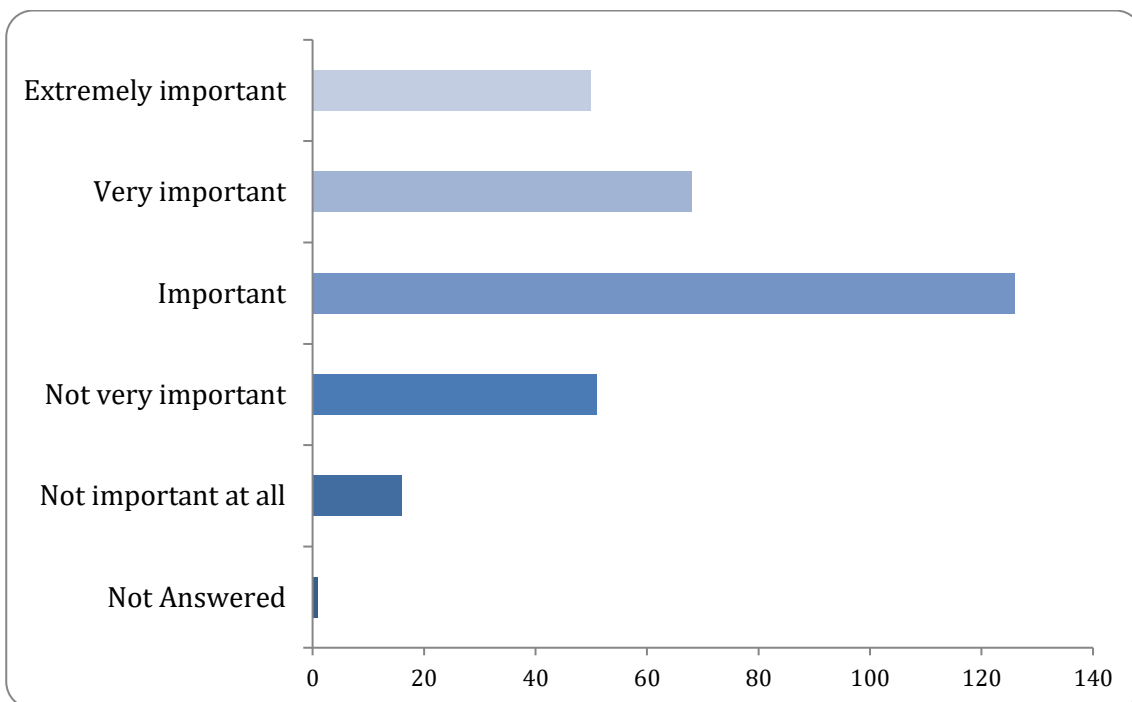
There were 310 responses to this part of the question.



Option	Total	Percent
More	97	31.09%
Less	73	23.40%
The same	140	44.87%
Not Answered	2	0.64%

Table 8 Healthy Lives: How important are these services to you?

There were 311 responses to this part of the question.



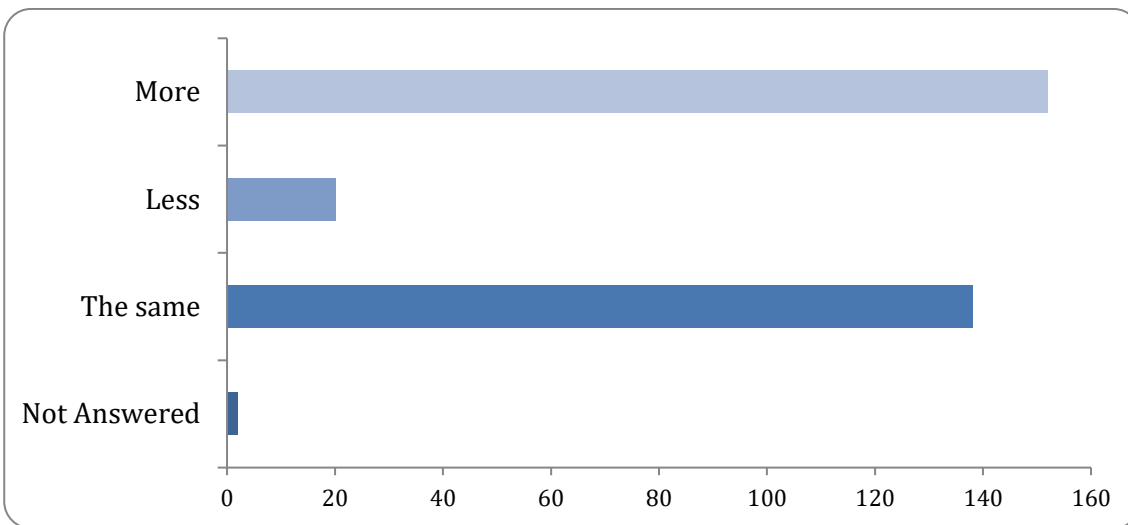
Option	Total	Percent
Extremely important	50	16.03%
Very important	68	21.79%
Important	126	40.38%

Not very important	51	16.35%
Not important at all	16	5.13%
Not Answered	1	0.32%

(v) **Local Services** – similar to services to Children and Adults, respondents attach high levels of importance to Local Services such as refuse collection, waste disposal, streetlighting, roads and pavements. Some 96% viewed these services as ‘important’, ‘very important’ or ‘extremely important’, with 37% ranking these services as ‘extremely important’. Some 93% of respondents would spend more (49%) or the same (44%) on these services.

Table 9 Local Services: Would you spend more, less or the same on this service?

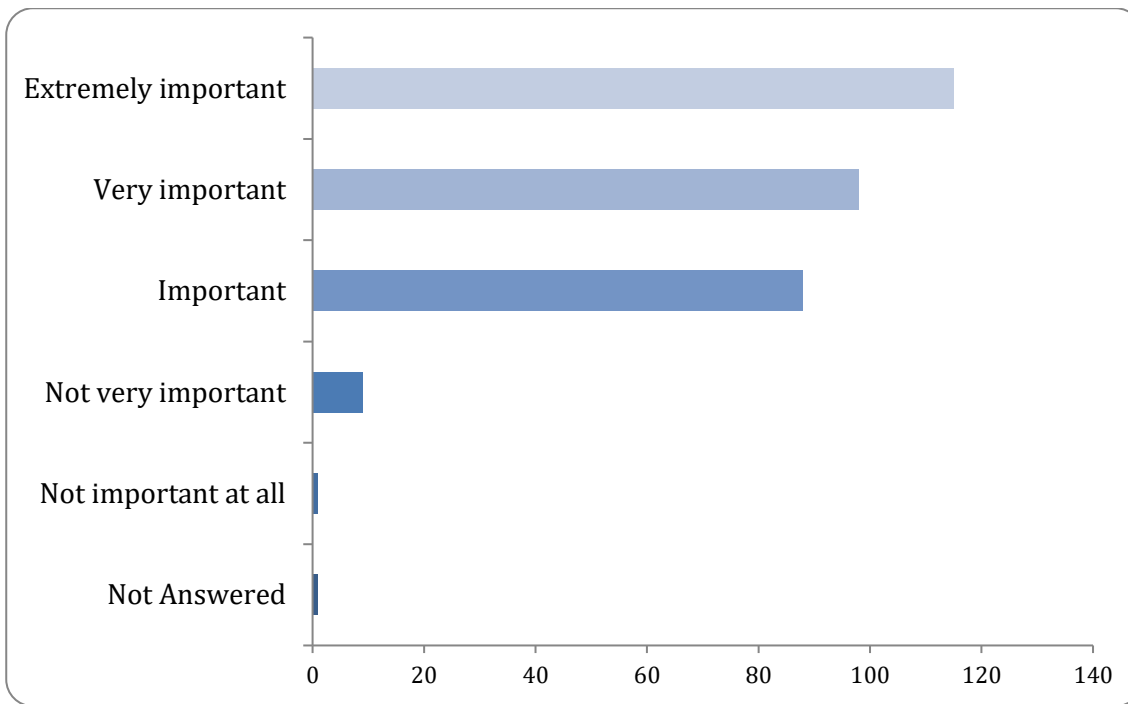
There were 310 responses to this part of the question.



Option	Total	Percent
More	152	48.72%
Less	20	6.41%
The same	138	44.23%
Not Answered	2	0.64%

Table 10 Local Services: How important are these services to you?

There were 311 responses to this part of the question.

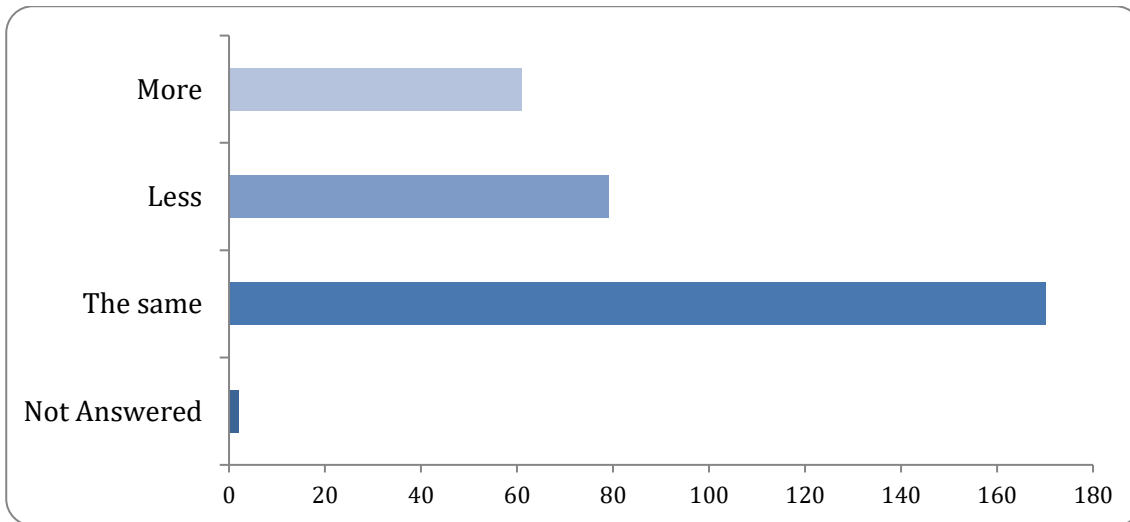


Option	Total	Percent
Extremely important	115	36.86%
Very important	98	31.41%
Important	88	28.21%
Not very important	9	2.88%
Not important at all	1	0.32%
Not Answered	1	0.32%

(vi) **Community Services** – 78% of respondents ranked these services as ‘important’, ‘very important’ or ‘extremely important’. Some 74% would spend more or the same on these services.

Table 11 Community Services: Would you spend more, less or the same on this service?

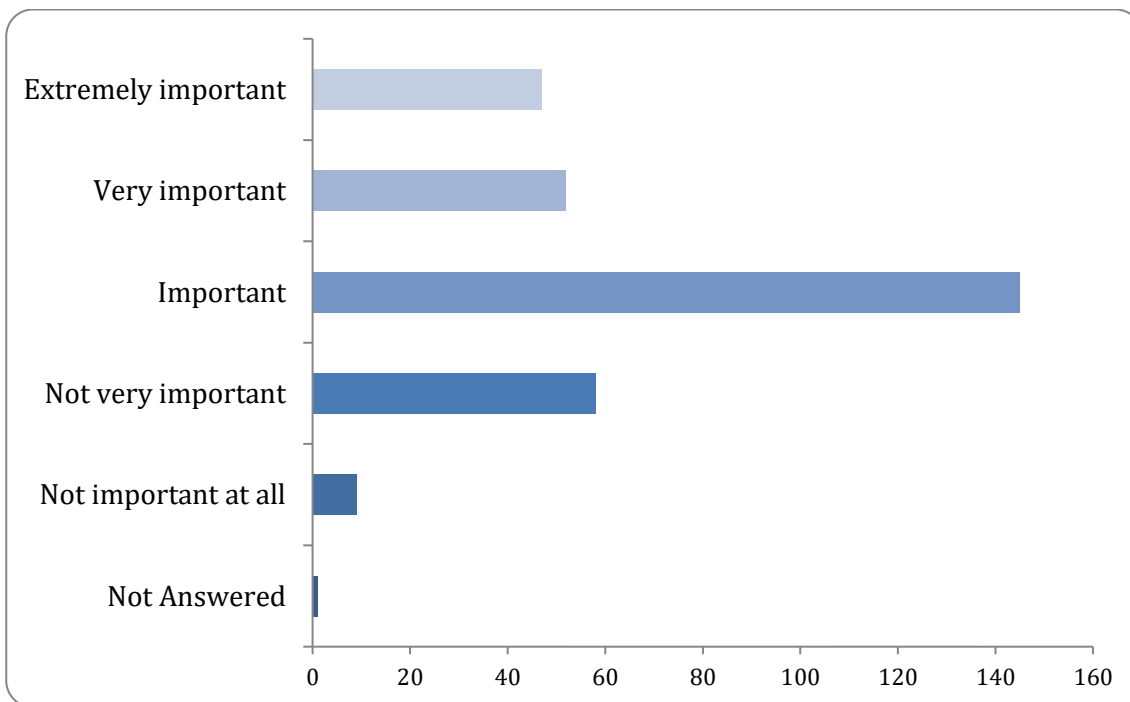
There were 310 responses to this part of the question.



Option	Total	Percent
More	61	19.55%
Less	79	25.32%
The same	170	54.49%
Not Answered	2	0.64%

Table 12 Community Services: How important are these services to you?

There were 311 responses to this part of the question.



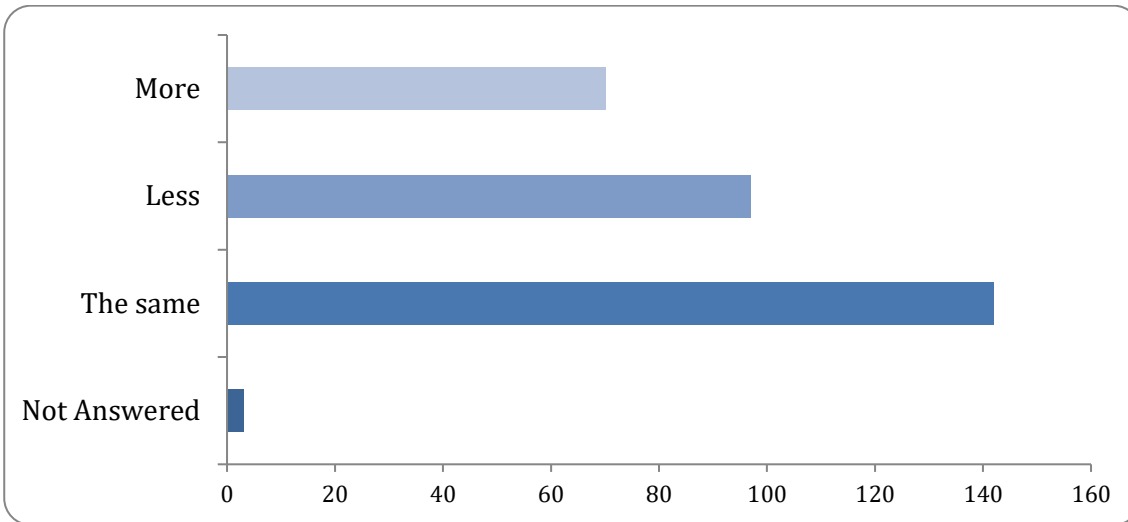
Option	Total	Percent
Extremely important	47	15.06%
Very important	52	16.67%
Important	145	46.47%

Not very important	58	18.59%
Not important at all	9	2.88%
Not Answered	1	0.32%

(vii) **Business** – 74% of respondents ranked these services as ‘important’, ‘very important’ or ‘extremely important’. Some 68% would spend more or the same on these services.

Table 13 Business: Would you spend more, less or the same on this service?

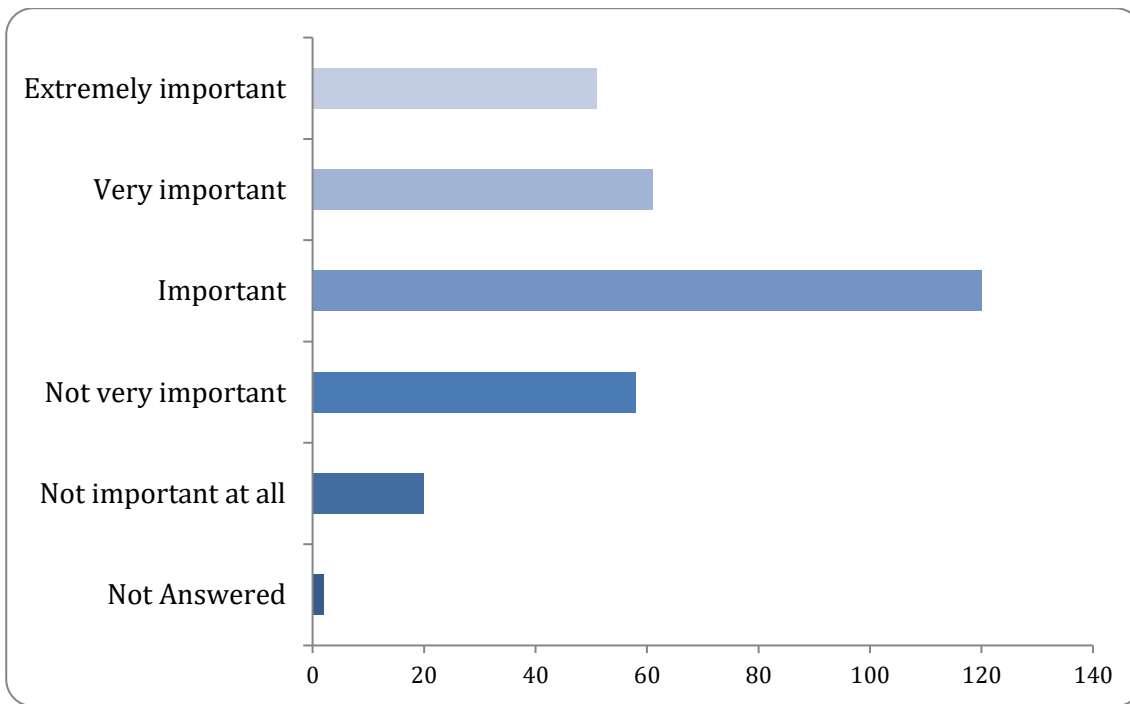
There were 309 responses to this part of the question.



Option	Total	Percent
More	70	22.44%
Less	97	31.09%
The same	142	45.51%
Not Answered	3	0.96%

Table 14 Business: How important are these services to you?

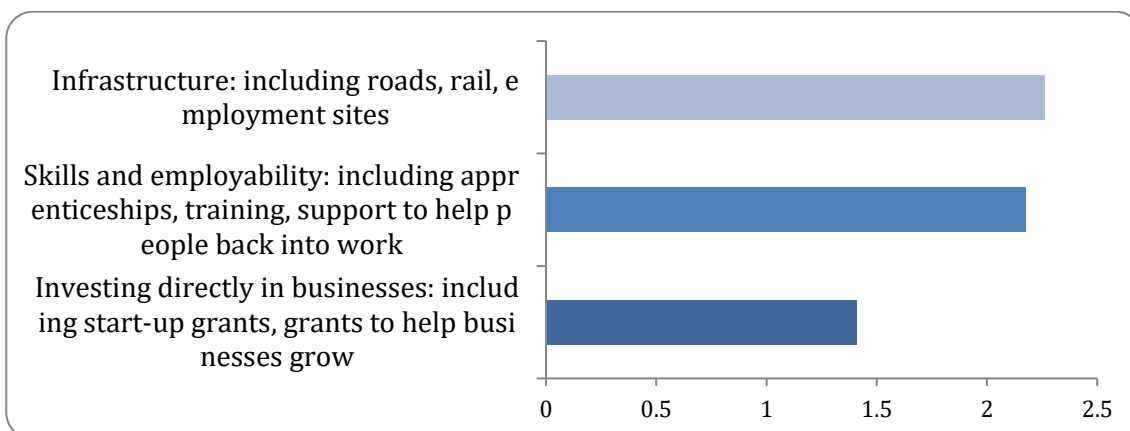
There were 310 responses to this part of the question.



Option	Total	Percent
Extremely important	51	16.35%
Very important	61	19.55%
Important	120	38.46%
Not very important	58	18.59%
Not important at all	20	6.41%
Not Answered	2	0.64%

5. The survey also sought views on priorities for the Council to invest in jobs and businesses. Respondents were given three broad areas for investment and the ranking is set out in the table 15 below:

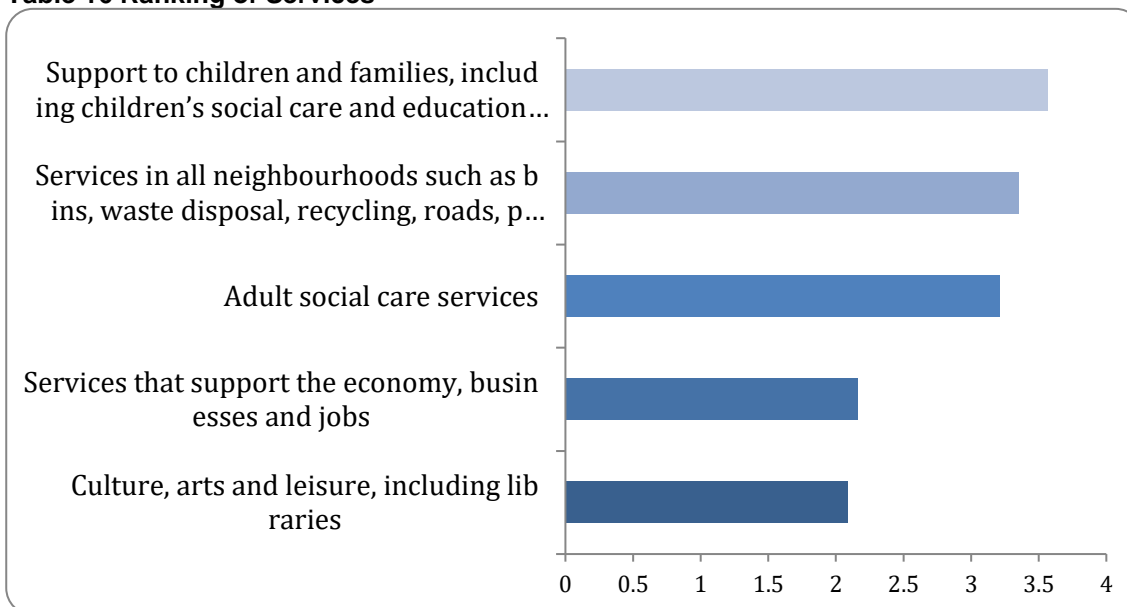
Table 15: What investment priorities do you think are most important to help jobs and businesses grow?



Item	Ranking
Infrastructure: including roads, rail, employment sites	2.26
Skills and employability: including apprenticeships, training, support to help people back into work	2.17
Investing directly in businesses: including start-up grants, grants to help businesses grow	1.41

6. We asked respondents to rank which services were most important to them. Support to children and families was ranked top, with services in all neighbourhoods second. Table 16 (below) shows there was not a big difference between the top three ranked services (Support to children & families, Adult Social Care and services to all neighbourhoods).

Table 16 Ranking of Services

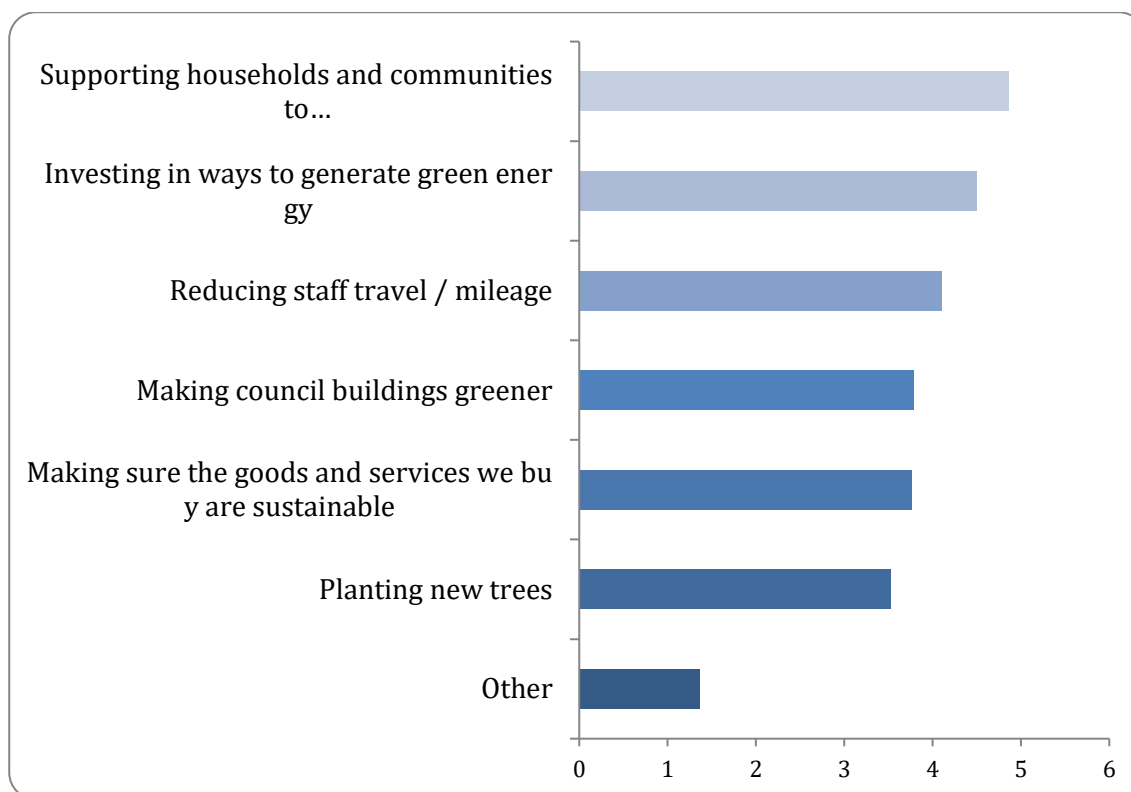


Item	Ranking
Support to children and families, including children's social care and education and skills	3.57
Services in all neighbourhoods such as bins, waste disposal, recycling, roads, pavements and streetlighting	3.36
Adult social care services	3.21
Services that support the economy, businesses and jobs	2.16
Culture, arts and leisure, including libraries	2.09

7. The Council is delivering on its ambitious Climate Action Plan, investing in services and infrastructure to reduce the county’s carbon emissions. So, the Council wanted to know residents’ priorities for tackling this agenda. The top ranked priority was ‘supporting households and communities to reduce emissions’, with ‘investing in ways to generate green energy the second ranked priority’.

Table 17: Ranking of Climate Change priorities

Ranking of 'Climate Change ranking'

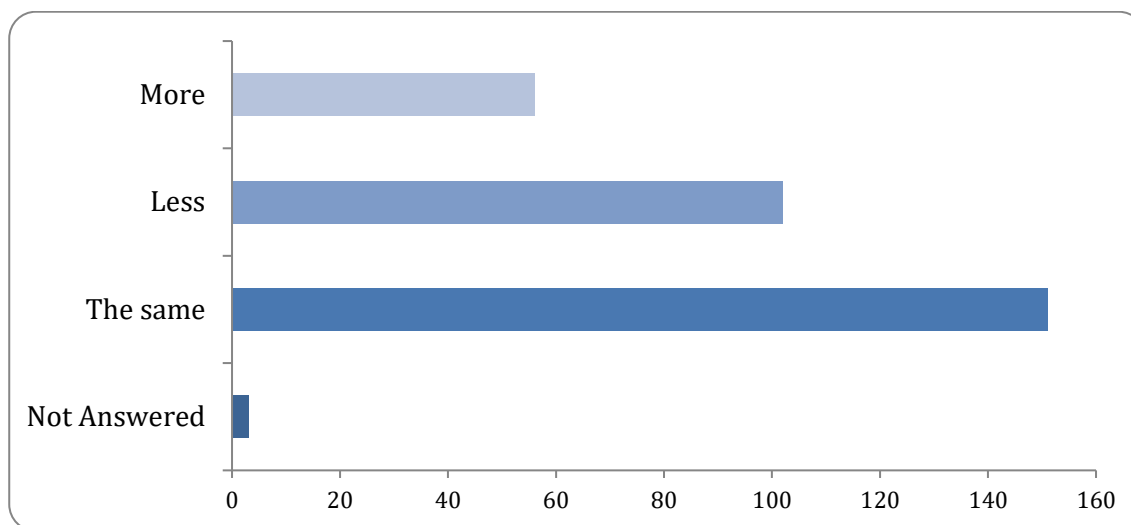


Item	Ranking
Supporting households and communities to reduce emissions	4.86
Investing in ways to generate green energy	4.50
Reducing staff travel / mileage	4.10
Making council buildings greener	3.79
Making sure the goods and services we buy are sustainable	3.76
Planting new trees	3.53
Other	1.36

8. Respondents were asked: whether the proposed Adult Social Care Precept increase should be more, less or the same?” Some 66% indicated this should be more (18%) or the same (48%), with 33% indicating this should be less.

Table 16: Adult Social Care Precept

There were 309 responses to this part of the question.



Option	Total	Percent
More	56	17.95%
Less	102	32.69%
The same	151	48.40%
Not Answered	3	0.96%

9. We asked for ideas on how the Council could raise more income or deliver services differently to save money and received 254 suggestions and comments. These comments fell into 8 broad themes although, naturally, there was a degree of overlap between the comments. The paragraphs below summarise the responses to this question.

- (i) **Organisation** – we received 107 suggestions and comments on how we could make savings through organisational improvements and efficiencies. These covered a broad range of issues, including: reducing senior staff salaries / expenses, management structure, how we procure goods and services; opportunities for joint services with other partners or councils; general efficiencies; and, costs associated with local democracy.
- (ii) **Tax base, charges and other fund raising** – there were some 44 suggestions on how the Council could raise more income through the local tax base, charges and other ways of raising funds. This was not simply about increasing Council Tax and there were comments against Council Tax increases. Many of the suggestions on this theme were focused on: supporting more business and town centres; providing people with support to get into work; and, encouraging more people and businesses to come to the County. There were also suggestions on charges for services and introducing, raising or increasing enforcement of fines. It should be noted that some of the suggestions made would require national legislation to take forward, for example introducing a ‘tourist tax or levy’.
- (iii) **Assets** – this theme was about how the Council makes better use of its assets, including: selling / letting / making more efficient use of buildings, land and

facilities; taking more commercial approaches generally; and, use of charges for services. Some of the suggestions were about better use of the County's assets more generally, including use of assets outside the control of the Council (e.g. privately-owned shops). Some 23 comments and suggestions on this overall theme were put forward.

- (iv) **Reduce or re-prioritise investment** – whilst many suggestions supported investment as a way of encouraging business growth and increasing jobs, some people suggested the Council should look to prioritise spending on critical services and where necessary reduce investment where this is not deemed essential. Other suggestions were focused on increasing investment in areas where it was felt more, not less regeneration is needed. There were a total of 20 suggestions and comments on this theme.
- (v) **Reduce or re-prioritise services** – this theme included suggestions (21 in total) and comments on how the Council should prioritise spending on what people felt were critical services. There were also suggestions on how the Council could support communities to do more for themselves and increase working with community and voluntary groups.
- (vi) **Climate Change & sustainability** – we received 13 comments and suggestions on how we can save money or raise income as part of our overall approach to tackling climate change and delivering more environmentally sustainable services.
- (vii) **Parking** – there were 10 comments on re-introducing car-parking charges (in areas where we don't charge) or increasing existing car parking charges. Some comments were focused on charging for non-residents.
- (viii) **Government** – some people suggested that Government should provide more funding to the Council to support local services and investment. In total, there were 16 suggestions and comments on this theme.

Other engagement

10. In January, the Leader and Portfolio Members presented to the five Local Area Councils (LACs) on the budget. These meetings were open to the public to view through the YouTube channel. Table 17 (below) sets out viewing for these meetings.

Table 17 LAC Participation

Area	Views (YouTube)
Castle Morpeth LAC	314
Tynedale LAC	129
Ashington and Blyth LAC	221
Cramlington, Bedlington and Seaton Valley	223
North Northumberland	306
Total	1,193

11. In addition, the Leader of Council hosted a public question time session on the budget, supported by the Deputy Leader and the Executive Director of Finance and Section

151 Officer. Questions from members of the public were invited, and the livestream had 2,759 views.

12. The budget consultation was promoted on the Council's social media channels and reached 17,532 people – 12,922 engaged with our social media posts and 300 people commented.

Implications

Policy	The Budget Consultation helps to inform the Council's Budget and Medium-Term Financial Plan
Finance and value for money	Whilst there are no financial implications arising directly from this report, the consultation and wider engagement on the budget help to inform the Council's Budget which is detailed in the separate report to Council.
Legal	Whilst there are no legal implications arising directly from this report, the consultation and wider engagement on the budget help to inform the Council's Budget which is detailed in the separate report to Council.
Procurement	There are no specific Procurement implications within this report.
Human Resources	There are no specific HR implications within this report.
Property	There are no specific Property implications within this report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	There are no specific Equalities implications within this report, although the consultation and wider engagement on the budget help to inform the Council's Budget which is detailed in the separate report to Council.
Risk Assessment	There are no specific risk implications within this report.
Crime & Disorder	There are no specific crime implications within this report.
Customer Consideration	There are no specific customer implications within this report.
Carbon reduction	There are no specific carbon reduction implications within this report although the feedback on carbon investment priorities will

	be shared more widely with teams leading on the Council's plans for carbon reduction.
Health and Wellbeing	There are no specific health and wellbeing implications within this report.
Wards	All wards

Background papers:

Budget Report Medium-Term Financial Plan

Report sign off.

	Full Name of Officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Cath McEvoy-Carr (Deputy CX)
Portfolio Holder(s)	Cllr Richard Wearmouth

Author and Contact Details

Philip Hunter
Interim Senior Service Director
philip.hunter@northumberland.gov.uk

Northumberland County Council

Corporate Services and Economic Growth Overview & Scrutiny Committee

Work Programme and Monitoring Report 2021-2022

1. Terms of reference:

- (1) To maintain an overview of the Council's Annual Budget and Budgetary Management via the Medium Term Financial Plan.
- (2) To review the state of Northumberland and the County Council's activity in delivering its Corporate Plan.
- (3) To maintain an overview of the Council's performance management arrangements; highlighting areas of poor performance and monitoring recovery delivery plans.
- (4) To maintain an overview of the Management Agreements in place between the Council and Advance Northumberland.
- (5) To monitor, review and make recommendations about:
 - Corporate Services: Organisational Development, Health and Safety, ICT Strategy, Corporate Governance, Financial Services, Procurement Strategy, Risk Strategy, Shared and Traded Services
 - Partnership development coordination with local organisations
 - Relationships with external bodies
 - Regeneration and Economic Development
 - Strategic Transport Network and Infrastructure
 - Employability, Skills, and removing barriers to work
 - Capital Programme and Asset Management
 - Support to VCS organisations and the Council's relationship with town and parish councils.

Reports to be scheduled:

Northumberland County Council
Corporate Services and Economic Growth Overview and Scrutiny Committee Work Programme 2021-2022

7 March 2022

Trading Companies Financial Performance 2021-22 - December 2021

To receive the quarterly report prepared for Cabinet.

Household Support Update

To update the Committee on the delivery of the Fund.

11 April 2022

British Volt

To update the Committee on plans to establish a giga plant in the county.

Blyth Relief Road

To provide an update on progress made towards Blyth Relief Road and secure approval for next steps.

Green Homes Grant

To receive an update on the report considered by the OSC in November on the allocation of grants.

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Northumberland County Council
Corporate Services and Economic Growth Overview and Scrutiny Committee Monitoring Report 2021-2022

Ref	Date	Report	Decision	Outcome
1.	12 July 2021	Borderlands	RESOLVED that Cabinet be advised that this Committee support the recommendations as outlined in the report.	The Cabinet considered the comments of the OSC when it determined the report on 13 July 2021.
2.	12 July 2021	Workforce Report	RESOLVED that: <ol style="list-style-type: none"> i. The Corporate Services and Economic Growth Overview & Scrutiny Committee noted the contents of this report. ii. Corporate Services and Economic Growth Overview & Scrutiny Committee continue to receive an annual update of this report for every financial year. iii. The data that was contained in the whistleblowing report and the ongoing work to promote a safe environment for staff to raise concerns through various mechanisms across the Council was noted; and iv. The Members Working Group review the Whistleblowing policy in regards to Elected Members and a report be brought back to this Committee. 	<p>The Committee will continue to receive this report annually.</p> <p>The Members Services Working Group will review the Whistleblowing Policy insofar as it affects elected members. The outcome should then be reported back to this Committee.</p>
3.	12 July 2021	Statutory Consultation on the new timetable for the East Coast mainline between Edinburgh and London	RESOLVED: <ol style="list-style-type: none"> 1. The Committee supported Councillor Sanderson efforts in relation to the proposals; and 2. A representative of the body proposing the cuts be invited to attend this Committee to explain the reasoning behind the proposals. 	The Committee will continue to monitor this issue as appropriate.
4.	2 August 2021	Northumberland Enterprise Holdings Limited	The Committee therefore RESOLVED to advise the Cabinet of the issues raised	The Cabinet considered the comments of the OSC when it determined the report on 17 August 2021.

			above and to consider the additional recommendations as agreed.	
5.	9 August 2021	Advanced Propulsion Centre UK	RESOLVED that the presentation and members' comments be noted.	No further action required at this stage.
6.	9 August 2021	Dissolution of the Council's Partnership with Northumbria Healthcare/ Proposed Partnership for 0-19 Public Health Services - Consultation	RESOLVED that (a) the information provided by the representatives of the Trust and the responses provided by the Chief Executive be noted, and (b) the Cabinet be recommended to direct officers of the Council to meet officers of the Trust to determine whether a practical solution can be achieved to salvage what is an excellent relationship.	This issue was subject to call-in to the Health and Wellbeing OSC on 18 August 2021. That Committee will continue to oversee the transition.
7.	9 August 2021	Advance Northumberland	RESOLVED that (a) the report be noted, and (b) further updates be presented to the Committee.	Further updates will be presented to the Committee as appropriate.
8.	6 September 2021	Northumberland Line	RESOLVED that Cabinet be advised that this Committee support the recommendations as outlined in the report and specifically to the proposal of the two years' free parking.	The Cabinet considered the comments of the OSC when it determined the report on 7 September 2021.
9.	11 October 2021	Council Tax Support Scheme	RESOLVED to advise Cabinet they would like to see a commitment to utilise the household support fund to offer relief above 92%.	The Cabinet considered the comments of the OSC when it determined the report on 12 October 2021.
10.	11 October 2021	Establishing a Pilot Culture and Creative Zone in Northumberland	RESOLVED the Committee supported the recommendation contained in the report.	The Cabinet considered the comments of the OSC when it determined the report on 12 October 2021.
11.	11 October 2021	Energising Blyth Programme	RESOLVED the Committee supported the recommendation contained in the report.	The Cabinet considered the comments of the OSC when it determined the report on 12 October 2021.
12.	11 October 2021	Newcastle Airport – Shareholder Loan Guarantee	RESOLVED the Committee supported the recommendation contained in the report	The Cabinet considered the comments of the OSC when it determined the report on 12 October 2021
13.	17 November 2021	Green Homes Grant, Local Authority Delivery Phase 2 (LAD2) Grant Funding	RESOLVED that Cabinet be advised that the Committee supported the recommendations in the report, subject to consideration of the issues raised.	The Cabinet considered the comments of the OSC when it determined the report on 18 November 2021

14.	17 November 2021	Corporate Plan Refresh 2021-24	RESOLVED that Cabinet be advised that the Committee supported the recommendations in the report, subject to consideration of the issues raised.	The Cabinet considered the comments of the OSC when it determined the report on 18 November 2021
15.	17 November 2021	Budget 2022-23 and Medium Term Financial Plan 2022-25	RESOLVED that Cabinet be advised that the Committee supported the recommendations in the report, subject to consideration of the issues raised.	The Cabinet considered the comments of the OSC when it determined the report on 18 November 2021.
16.	6 December 2021	Household Support Fund	RESOLVED the Committee agreed to advise the Cabinet that it supported the recommendations in the presentation, subject to consideration of the issues raised above.	The Cabinet considered the comments of the OSC when it determined the report on 7 December 2021. A further update will be presented to the OSC.
17.	6 December 2021	NCTA Digital Programme	RESOLVED that the presentation be received.	No further action required at this stage.
18.	6 December 2021	Debt Recovery Update	RESOLVED that the report be received.	The OSC will continue to receive six monthly updates.
19.	6 December 2021	Trading Companies Financial Performance 2021-22	RESOLVED that the recommendations in the report be supported and to continue to receive quarter reports as they are prepared for the Cabinet.	The OSC will continue to receive regular updates.