Northumberland County Council

Budget 2022 - 23

and Medium Term Financial Plan 2022 - 26

REPORT CONTENTS **Page Number**

REPORT CONTENTS **Page Number**

Appendices

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.

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 (NAIL). 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 ☐ No ☐ N/A ☐	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

List of Appendices

Appendix 1	Budget 2022-23 and Medium-Term Financial Plan 2022-26
Appendix 2	Reserves Policy 2022-23
Appendix 3	Schedule of Reserves and Provisions 2022-26
Appendix 4	Service Specific Grants 2022-23
Appendix 5	Inflation Schedule 2022-23
Appendix 6	Recurrent Pressures Schedule 2022-26
Appendix 7	Growth Schedule 2022-26
Appendix 8	Non-Recurrent Pressures and Income Schedule 2022-26
Appendix 9	Schedule of Efficiencies 2022-26
Appendix 10	Corporate Equality Impact Assessment
Appendix 11	Budget by Service Area 2022-23
Appendix 12	Housing Revenue Account MTFP and Business Plan
Appendix 13	Capital Strategy 2022-23 to 2025-26
Appendix 14	Capital Programme 2022-23 to 2025-26
Appendix 15	Net Movement in the Capital Programme 2022-26 (excluding slippage)
Appendix 16	Capital Prudential Indicators 2022-23 to 2025-26
Appendix 17	Annual Minimum Revenue Provision Policy Statement 2022-23
Appendix 18	Treasury Management Strategy Statement 2022-23

	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%	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.

Schedule of Reserves and Provisions 2022-26

	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**

Service Specific Grants 2022-23

	£
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)**

Service Specific Grants 2022-23

	£
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)**

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
Highways 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

	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

	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**

Non-Recurrent Pressures and Income Schedule 2022-26

	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**

Schedule of Efficiencies 2022-26

	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.

Title of policy or proposal	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.)
Briefly describe the aims of the policy change, decision or proposal, the likely outcomes and the rationale for it	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. 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

	be achieved in other ways. 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.
Consider the potential impact on any member of staff or member of the public with the following protected characteristics: Age, Disability, Gender identity/Gender reassignment, Race, Religion or belief, Sex, Sexual orientation, Women who are pregnant or have recently had a baby. Also, for issues affecting staff, consider employees who are married or in a civil partnership.	
What information is already held or have you obtained through consultation or engagement activity?	**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. **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. 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

	social care. Services provided by each of the other Directorates also include some which focus on supporting disabled people, such as concessionary transport schemes. 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. 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. **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

	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. **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. **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. **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

	more significant in their impact on women because of the continuation of traditional assumptions about the gender balance of child-care responsibilities. EIAs on specific savings proposals have considered/will consider more closely the gender balance of their users. **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. **Women who are pregnant or recently had a baby:** 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. The Council regularly publishes an analysis of its equality information. The most recent report is available on the Equality in Northumberland page of

	the Council's website.
After considering the information, which protected groups may potentially be affected?	**Potentially affected:** **Age** **Disability** **Gender identity/Gender reassignment** **Race** **Religion or belief** **Sex** **Sexual orientation** **Not potentially affected:** **Women who are pregnant or recently had a baby** **People who are married or in a civil partnership** 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.
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	**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. 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. Savings have been proposed within the budget for a

	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. 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. 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. **Disability:** 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. 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

	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. 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. 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. 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. 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. 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. Potential adjustments have been/will be considered in

	EIAs on individual savings proposals. 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. 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. 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. **Gender identity/Gender reassignment:** 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. 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

	proposals will need to consider whether there is a possibility of differential impacts. 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. 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. 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. 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. **Race:** 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. 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. No significant differential impact that would affect

	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. 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. 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. 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. **Religion or belief:** 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. 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.

	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. 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. 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. 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. **Sex:** Because of the pattern of usage of Council services, it is likely that any substantial reduction in Council budgets will disproportionately disadvantage women. 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. 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. Detailed issues have been/will be considered in EIAs

	on specific savings proposals and will be examined further in the course of implementation, where relevant. 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. 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. 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. 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. 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. Specific opportunities to create positive impacts in the course of making changes required to achieve savings have been or will be considered in assessing

	the equality impact of each specific proposal. **Sexual orientation:** 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. 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. 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. 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. 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. 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. **Women who are pregnant or recently had a baby:** The risk that pregnant women or those with children under 26 weeks could be disproportionately disadvantaged will need to be considered where

	relevant in carrying out detailed EIAs required to support the implementation of specific budget proposals. 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. 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. 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.
Give details of any Human Rights implications and actions that may be needed to safeguard Human Rights.	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.
Give details of any actions that can be taken to promote equality or to lessen any potential adverse impact on protected groups.	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.
What plans are there to monitor and review the actual impact of the policy change, decision or proposal on equality	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

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.

	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. The Council's approach will continue to be to address equality and human rights issues on a number of levels: 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. 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. 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. 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)
Name(s) and job title(s) of person (people	Keith Thompson – Rights Team Manager

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)	-	-	-	1,033,010	-	(37,522,370)	7.61%
	Other Income	(64,396,760)	-	(298,860)	-	-	-	-	-	-	-	(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

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	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
	£000	£000	£000	£000	£000	£'000	£'000	£'000	£'000	£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)**	**-**

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**

Appendix 14

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
Energising 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
Energising Blyth Northern Gateway Phase 1 Town Deal 2020-21	**1,699,740**	-	1,699,740	**-**	-	-	**-**	-	-	**-**	-	-	**1,699,740**	-	1,699,740
Energising 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 - Lilidorei	**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)

	2022-2023 BUDGET			2023-2024 BUDGET			2024-2025 BUDGET			2025-2026 BUDGET			TOTAL BUDGET (4 Yrs)		
Project Title	**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
Capita One / Saas	**30,000**	-	30,000	**-**	-	-	**-**	-	-	**-**	-	-	**30,000**	-	30,000
CISCO 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
Desk Top 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 Upgarde 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 Gross Budget £	2022-2023 BUDGET External Funding £	2022-2023 BUDGET NCC Funding £	2023-2024 BUDGET Gross Budget £	2023-2024 BUDGET External Funding £	2023-2024 BUDGET NCC Funding £	2024-2025 BUDGET Gross Budget £	2024-2025 BUDGET External Funding £	2024-2025 BUDGET NCC Funding £	2025-2026 BUDGET GROSS BUDGET £	2025-2026 BUDGET EXTERNAL FUNDING £	2025-2026 BUDGET NCC FUNDING £	TOTAL BUDGET (4 Yrs) GROSS BUDGET £	TOTAL BUDGET (4 Yrs) EXTERNAL FUNDING £	TOTAL BUDGET (4 Yrs) 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	-
Members 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 indictor 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

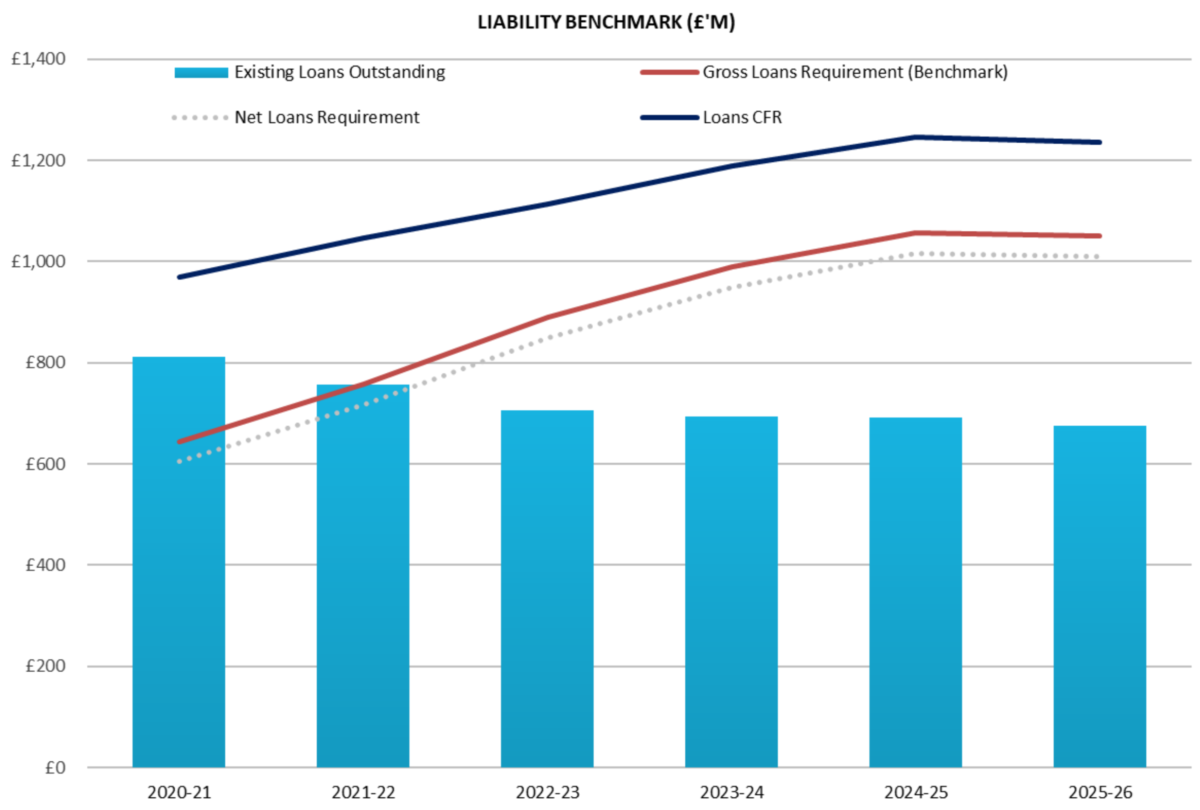
These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

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 / Guilt 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 polices, 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

ECONOMIC FORECAST - NOVEMBER 2021 **Annex 1**

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 statues 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)	*	*

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.

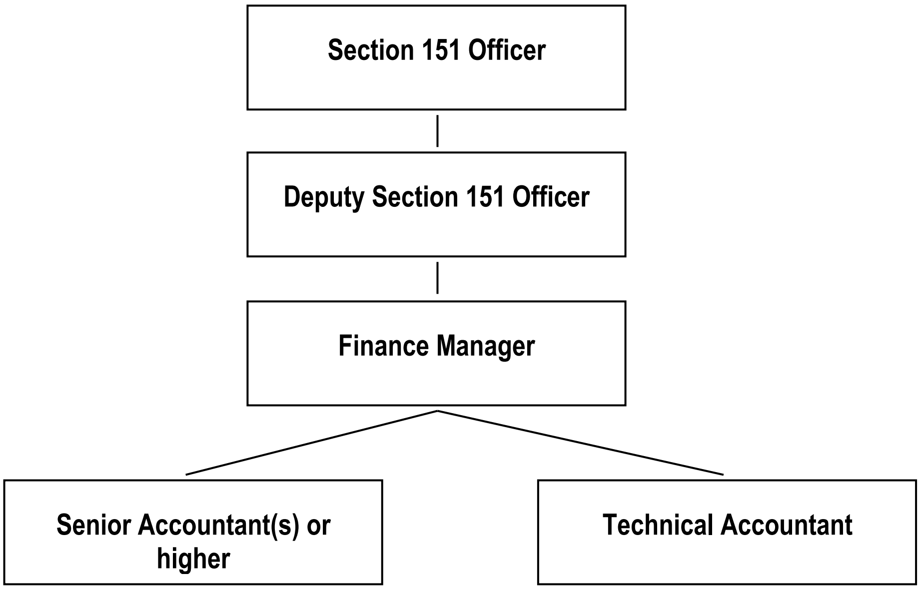
5.2. PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

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