

Proposed Council Tax and Revenue & Capital Budgets 2020/21

1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2020/21:
 - A proposed revenue budget of £299.502m for policing and crime reduction that includes:
 - Provision for increases in pay and prices of £9.600m; and budget pressures of £2.600m;
 - A net increase of £1.400m in the revenue costs to support capital investment; and
 - Budget savings of £3.700m in 2020/21.
 - Delivery of the Northumbria share of the National police officer Uplift target by March 2021.
 - Investment of £4.358m in local policing priorities for 2020/21.
 - Initial phasing of investment over the medium term has been set at a level which is prudent and sustainable, including a contingency set aside to maintain investment over the medium term, which is balanced against the risks identified and the level of funding uncertainty beyond March 2021.
 - Capital investment in buildings, vehicles and new technology of £17.261m.
 - Proposed increase of 1.99% on the Council Tax Precept (£2.67 for a Band D property) in 2020/21 to raise an additional £1.065m income.

Considerations

2. In preparing the Revenue and Capital Budgets for 2020/21 the following have all been considered:
 - The key principles underlying the 4 year MTFS 2020/21 to 2023/24.
 - The level of investment in local policing priorities that is sustainable over the medium term balanced with the risk and uncertainty of a 1 year funding settlement.
 - The Police Grant settlement for 2020/21 which has provided detail on Home Office core grant funding for both revenue and capital, legacy Council Tax grants, Special Pension Grant, National police officer Uplift and the referendum limits for increases to the Council Tax Precept.
 - The overall financial position of the force including: the likely revenue and capital outturn for 2019/20; budget pressures and savings identified for 2020/21; and the level of reserves available to the PCC.
 - Delivery of the Police and Crime Plan.
 - Risk assessment.
 - The Prudential Code for Capital Finance in Local Authorities.



Financial Strategy

3. The 2020/21 budget is part of the four year Medium Term Financial Strategy (MTFS).
4. The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support the Police 2025 Strategy, the mission, vision and values of Northumbria Police and meet the requirements of the National Strategic Policing Requirement.

National Police Finance Settlement

5. The national police grant settlement was published on 22 January 2020.
6. The key headlines from the settlement are:
 - Police Core Grant – Core grant allocations to PCCs to be increased by £532m, to support recruitment of up to 6,000 additional officers by the end of March 2021. The increase will be paid to all 43 forces and allocated in-line with formula funding such that all forces will see an increase in their core funding equivalent to 7.5%.
 - No direct inflationary increases have been allocated to core grant funding over and above the funding provided for additional officer recruitment.
 - Ring-fenced grant funding of £168m will be allocated to PCCs in-line with formula funding allocations and accessed through progression against their recruitment targets.
 - Legacy grants relating to Council Tax and freeze grants for 2011/12 and 2014/15 remain payable.
 - Specific grant funding allocated to forces to manage part of the increased cost of employer pensions in 2019/20 has been confirmed for one further year only.
 - Council Tax Referendum Limits - The Government has proposed precept referendum limits for 2020/21 that enable PCCs to raise additional funding for local priorities through an increase of up to £10.00 for a Band D property. However, this increase is subject to confirmation at the final Local Government Finance Settlement.
 - Police Capital Funding – Capital grants to PCCs cut / top-sliced by 75% as the Government prioritise national schemes and infrastructure. The messaging is that PCCs can utilise increases in other grants (revenue) to cover both capital and non-capital spend, increasing the impact of capital investment on force revenue budgets.
 - Four priority areas to drive efficiency, productivity and effectiveness next year including efficiency savings through joint procurement, enhanced productivity using technological solutions, achieving best value on police technology spending and ensuring forces meet their recruitment targets for 2020/21.
 - PCC allocations for the commissioning of victims' services have been issued to include a 1.84% inflationary increase.
 - In addition, funding for Violence Reduction Units (VRU) has been confirmed for one further year only.



Northumbria Settlement

7. **Police Grant** - The one year settlement announcement confirmed that core grant allocations would be increased to support recruitment of up to 6,000 officers by March 2021. The Northumbria allocation is £16.387m which represents an increase equivalent to 7.5%.
8. Whilst core grant funding has been significantly increased for 2020/21, this funding has been provided to support the recruitment of the initial 6,000 officers **and** provide the necessary infrastructure improvements to deliver the full 20,000 national Uplift by March 2023. In addition no direct inflationary increase has been provided over and above the funding to support the officer Uplift.
9. The ring-fenced funding allocation for Northumbria is £5.175m and will be allocated on a quarterly basis as the force progresses against its recruitment target of 185 additional officers by March 2021. Recruitment targets allocated at force level beyond 2020/21 are not yet known.
10. The Special Pension Grant of £3.423m allocated in 2019/20 to cover part of the increased cost of police officer pensions (£7.700m for Northumbria) has been confirmed for one further year only. No inflationary increase has been made, the grant is maintained in flat cash terms. This remains a significant risk to the medium term position and therefore the principle to maintain a Police Pension Scheme Funding Reserve is continued.
11. Northumbria will continue to receive legacy grants totaling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15.
12. Capital grant funding allocated by the Government for Northumbria is £0.338m and represents less than 2% of the total funding required for capital investment in 2020/21. The grant has been cut by almost 75% against the level allocated for 2019/20.
13. This is a one-year settlement which does not provide any certainty beyond March 2021. The messaging from HM Treasury is that the Comprehensive Spending Review (CSR) 2020 will be tough and future settlements will not be as favourable.
14. **Council Tax Precept** - The Government has proposed precept referendum limits for 2020/21 that enable PCCs to raise additional funding for local priorities through an increase of up to £10.00 for a Band D property. For residents in Northumbria this would equate to a further 7.44% on Council Tax bills for 2020/21. However, this increase is subject to confirmation at the final Local Government Finance Settlement and it is for locally accountable PCCs to take decisions on local precept and explain to their electorate how the additional funding will be invested in police services.

Capital Programme 2019/20

15. The Commissioner has a revised capital budget for 2019/20 of £21.829m. The third quarter capital monitoring report outlined a revised capital estimate of £17.004m as at 31 December 2019. The reduction in the revised estimate for the year mainly reflects changes in the phasing and timing of capital schemes which will roll forward into 2020/21.

Capital Programme 2020/21

16. The following table sets out a summary of the capital programme for 2020/21:

2020/21 Capital Programme	Total £000
Major and Minor Building Schemes	8,402
Information Technology	4,085
Vehicles and Equipment	4,774
Total	17,261

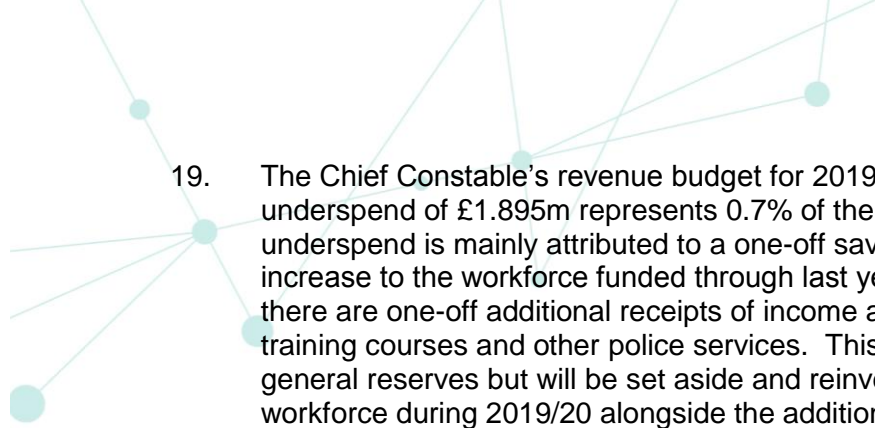
17. Key areas to note in the proposed programme are:

- **Major and Minor Building Schemes** - Estates refurbishment programme based on the new operational model requirements, improving wellbeing and the 2018 condition surveys; transition and relocation costs associated with premises moves and co-location with partner agencies.
- **Information Technology** - The Force have a number of Improvement Schemes to deliver change and efficiency through transformation which includes considerable investment in IT systems. This includes the replacement of all core operating systems and the associated hardware and network equipment, and future implementation of the National Emergency Services Network (ESN) within Northumbria.
- **Vehicles and Equipment** - A rolling programme of vehicle replacement and material programmes for upgrading equipment including body armour replacement and body-worn video.

Revenue Budget 2019/20

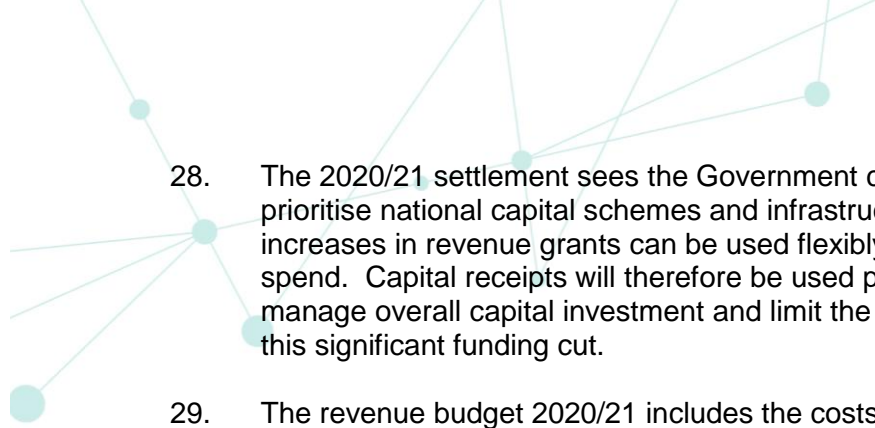
18. The Commissioner's Group revenue budget for 2019/20 is £280.082m. The Quarter 3 revenue monitoring report shows a projected underspend of £2.868m as at 31 December 2019.

2019/20 Revenue Monitoring - Quarter 3 Position			
	Approved Budget 2019/20	Projected Outturn 2019/20	Variance 2019/20
Group Position	£m	£m	£m
Chief Constable	268.581	266.686	(1.895)
Police and Crime Commissioner	2.098	2.098	-
Capital Financing	9.403	8.430	(0.973)
Net Expenditure	280.082	277.214	(2.868)
Central Government Grant	(230.551)	(230.551)	-
Council Tax Precept	(53.531)	(53.531)	-
Central Grant and Precept Total	(284.082)	(284.082)	-
Appropriations (to) / from reserves	(4.000)	(6.868)	(2.868)

- 
19. The Chief Constable's revenue budget for 2019/20 is £268.581m. The forecast underspend of £1.895m represents 0.7% of the budget allocated for the year. The underspend is mainly attributed to a one-off saving from the timing and phasing of the increase to the workforce funded through last year's precept increase. In addition there are one-off additional receipts of income associated with the provision of training courses and other police services. This saving will not be used to increase general reserves but will be set aside and reinvested to maintain the increase in the workforce during 2019/20 alongside the additional investment planned for 2020/21, ensuring that this remains sustainable over the medium term.
 20. For Capital financing, underspend is attributed to the timing of payments relating to the repayment of borrowing and interest. The capital programme includes a rolling programme of significant estates and ICT works. Repayment of borrowing is based on estimates at a point in time, which are monitored and updated quarterly throughout the year. In addition, savings on interest costs have been achieved in-year mainly due to a reduction in planned capital spend, new long term borrowing secured at preferential rates and borrowing deferred to later in the financial year. Underspend will be set aside in reserves to manage capital expenditure associated with implementation of the National Emergency Services Network (ESN) within Northumbria. This supports the prudent approach being taken to overall capital financing over the medium term in light of capital grant funding from Government being cut by 75% within the settlement for 2020/21.
 21. The overall Group forecast represents an underspend of £2.868m. The underspend will be reinvested over the medium term to maintain the increase to the workforce during 2019/20 and manage the capital costs associated with implementation of the National ESN within Northumbria.
 22. The forecast closing position on the general reserve for 2019/20 is £9.7m.

Revenue Budget 2020/21

23. For the financial year 2020/21, the proposed total net revenue budget is £299.502m.
24. The proposed budget includes £9.600m in relation to pay and price increases including an estimated 2.5% pay award for officers and staff; provision for police officer pay progression under regulations, known contract increases and other inflation costs associated with rates, rents, utilities and force contracts.
25. Budget pressures of £2.600m have also been incorporated, which include ICT revenue costs associated with capital schemes, IT software licenses and new software solutions, known operational budget pressures, and other non-pay pressures.
26. Force budget savings of £3.700m have been identified in 2020/21 relating to the revaluation of the police staff pension fund (LGPS), officer allowances, other non-pay budget areas and income generation.
27. An increase in capital financing costs of £1.400m to support capital investment is included which reflects the planned profile of interest costs, investment income and the principal repayment of borrowing. The movement reflects the additional revenue cost of supporting 2019/20 capital investment through prudential borrowing. This approach is set in the context of a significant cut to Government grant funding for capital for 2020/21.

- 
28. The 2020/21 settlement sees the Government cut capital grants by 75% in order to prioritise national capital schemes and infrastructure with the expectation that increases in revenue grants can be used flexibly to cover both capital and non-capital spend. Capital receipts will therefore be used prudently across the MTFs period to manage overall capital investment and limit the impact on revenue budgets alongside this significant funding cut.
29. The revenue budget 2020/21 includes the costs associated with delivering the Northumbria share of the National police officer Uplift of an additional 6,000 officers by March 2021.
30. The revenue budget for 2020/21 includes provision for further investment in policing priorities of £4.358m. The force will undertake to prioritise investment options over the coming weeks to provide the benefits that maximise policing outcomes for Northumbria residents.
31. Under this scenario, part of the funding allocated for 2020/21 will be set aside in reserves to ensure that the investment in the Northumbria area will be sustainable over the medium term. This approach will also ensure that funds are available to provide the necessary infrastructure improvements to support the future Uplift in police officer numbers in 2021/22 and 2022/23. Given the late announcement by the Government of police funding for 2020/21, final decisions regarding the initial level of investment and contingency will continue to be considered by the PCC and Chief Constable.

Budget Summary – 2020/21

32. A summary of the 2019/20 forecast outturn position and proposed 2020/21 Revenue Budget is set out below:

2020/21 Group Budget				
	Original Estimate	Revised Estimate	Projected Outturn	Original Estimate
	2019/20	2019/20	2019/20	2020/21
	£m	£m	£m	£m
Group Revenue Budget				
Chief Constable	268.581	268.581	266.686	286.657
Police and Crime Commissioner	2.098	2.098	2.098	2.098
Capital Financing	9.403	9.403	8.430	10.747
Net Revenue Expenditure	280.082	280.082	277.214	299.502

33. The group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The PCC has a small specific budget for the Commissioners Community Fund and the OPCC running costs. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.

Council Tax Options

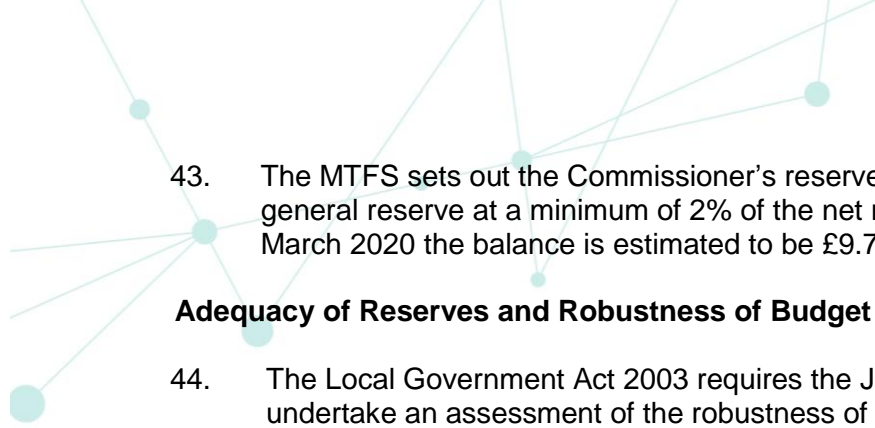
34. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.

35. The excessiveness limit for 2020/21 is £10.00 per Band D property.
36. During 2019/20 the Council Tax base in the Northumbria force area increased by an average 1.55% to 398,916 (Band D equivalent properties). The increase in the Council Tax base will generate additional income of £0.817m for 2020/21.
37. In calculating the overall settlement for policing in 2020/21 the Government has proposed enabling each PCC to raise further funding for local priorities through an increase of up to £10.00 for a Band D property. For residents in Northumbria this would equate to a further 7.44% on Council Tax bills for 2020/21. Consideration of the Council Tax Precept has to be taken alongside both the overall funding made available to the force and the impact on households of any increase.
38. The proposal is to increase the Council Tax precept by 1.99% (£2.67 for a Band D property) to raise an additional £1.065m over 2020/21. The Police Commissioner has stated this is a rise that is fair on households dealing with their own cost issues while at the same time ensuring Northumbria Police is well positioned to tackle emerging crime trends alongside additional funds made available in the financial settlement.
39. The anticipated receipts of £54.651m from the precept are included in the MTFS that sets out the main assumptions and provides further detail to demonstrate that this decision provides affordability over the medium term.
40. In addition, all six billing authorities will pay a collection fund surplus in 2020/21 which will deliver a total of £0.938m.

Reserves

41. The Commissioner's reserves policy is set out in the MTFS and is subject to regular review.
42. A full analysis of the Commissioner's revenue reserves and their planned use in 2020/21 taking into account the proposals outlined is set out in the following table:

Revenue Reserves	Estimated at 31 March 2020 £m	Planned		Estimated at 31 March 2021 £m
		Transfer to Reserves 2020/21 £m	Planned use of Reserves 2020/21 £m	
Earmarked Reserves				
Insurance Reserve	3.0	-	-	3.0
Workforce Management Reserve	1.3	-	-	1.3
Police Pension Scheme Funding Reserve	3.4	-	-	3.4
Emergency Services Network (ESN) Reserve	3.6	-	-	3.6
Contingency to Maintain Investment over the Medium Term	1.9	8.2	-	10.1
Innovation Reserve	0.3	-	(0.3)	-
External Funding Reserve	0.3	0.2	(0.1)	0.4
NERSOU Reserve	0.2	-	(0.2)	-
Total Earmarked Reserves	14.0	8.4	(0.6)	21.8
General Reserves	9.7	-	-	9.7
Total Reserves	23.7	8.4	(0.6)	31.5

- 
43. The MTFS sets out the Commissioner's reserves strategy which is to maintain the general reserve at a minimum of 2% of the net revenue budget for the year. As at 31 March 2020 the balance is estimated to be £9.7m which equates to 3.2%.

Adequacy of Reserves and Robustness of Budget Estimates

44. The Local Government Act 2003 requires the Joint Chief Finance Officer to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
45. The budget and MTFS allows the Commissioner to consider the prudent use of reserves in the context of the future spending pressures and risks arising from potential changes to the funding formula without having a detrimental effect on policing.
46. In assessing the robustness of the budget, the Joint Chief Finance Officer has considered the following issues:
- The general financial standing of the group made up of the OPCC and Northumbria Police.
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases.
 - A risk assessment of expenditure and income estimates.
 - The future budget pressures identified in the MTFS.
 - The adequacy of the budget monitoring and financial reporting arrangements.
 - The adequacy of the Commissioner's governance arrangements and internal control system.
 - The adequacy of general reserves to cover any potential financial risks faced by the Commissioner.
 - The impact of funding cuts and the uncertainty around future budget pressures, CSR 2020 and the levels of grant support beyond 2020/21.
47. At 31 March 2020, the Commissioner's General Reserve is estimated at £9.7m (3.2% of revenue expenditure), in addition to other reserves which are earmarked for specific purposes. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments and the financial risks faced by the Commissioner which could impact on the level of reserves over the MTFS period.
48. The Joint Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed in the review set out earlier is considered adequate to cover the financial risks faced by the Commissioner in 2020/21.

Council Tax Requirement

49. The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out in the following table:

Council Tax 2020/21	£m	£m
Total Revenue Expenditure		299.502
Add: Appropriations to/(from) Reserves		8.200
Budget Requirement		307.702
Less:		
Home Office Core Grant	235.347	
Special Pension Grant	3.423	
Ring-fenced Uplift Grant	5.175	
Localised Council Tax Support Grant	6.867	
Council Tax Freeze Grant 11/12	0.912	
Council Tax Freeze Grant 14/15	0.389	252.113
Balance to be raised locally		55.589
Less: Estimated net surplus on collection funds		0.938
Council Tax Requirement		54.651

50. The proportion of collection funds' net surplus due to Northumbria Police from its constituent billing authorities is £0.938m for 2020/21 (£0.762m in 2019/20).
51. The notified Council Tax base figure is 398,916 which is an increase of 6,086 over the previous year (1.55%).

Minimum Revenue Provision (MRP)

52. Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2020/21 is attached at Annex A.

Financial Considerations

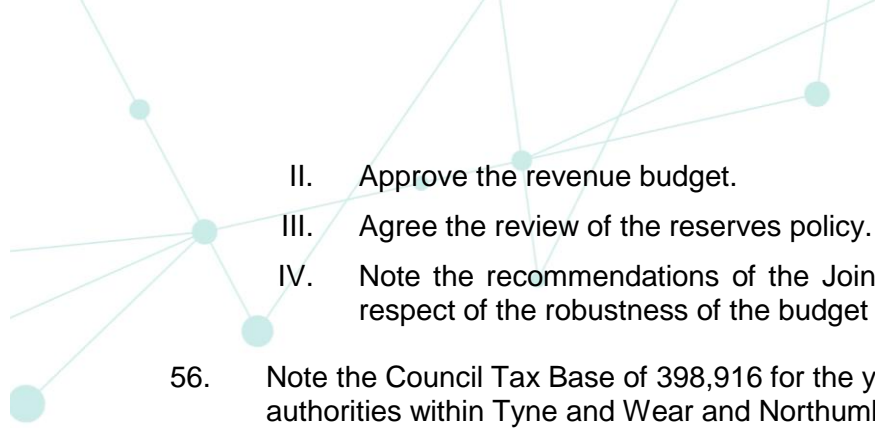
53. Financial implications are considered throughout the report.

Risk Management

54. Associated risks have been considered and recorded as appropriate, set out in Annex B

Recommendations (Proposed)

55. The Commissioner is requested to:
- I. Approve the capital programme and authorise the Joint Chief Finance Officer (Treasurer) to undertake the appropriate financing.

- 
- II. Approve the revenue budget.
 - III. Agree the review of the reserves policy.
 - IV. Note the recommendations of the Joint Chief Finance Officer (Treasurer) in respect of the robustness of the budget and the adequacy of reserves.

56. Note the Council Tax Base of 398,916 for the year 2020/21 as notified by the billing authorities within Tyne and Wear and Northumberland (item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended).

57. Approve the following amounts for the year 2020/21 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:

(a) £321.465m Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (2) (a) to (d) of the Act.

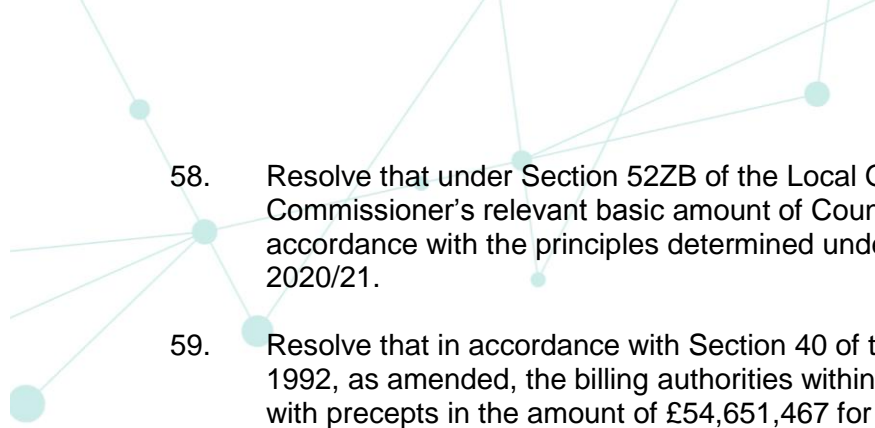
(b) £266.814m Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the item set out in S42A (10) of the Act.

(c) £54.651m Being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 42A (4) of the Act, as it's Council Tax Requirement for the year (item R in the formula is Section 42B of the Act).

(d) £137.00 Being the amount at (c) above (item R) divided by the amount noted in Recommendation 2 above (item T), calculated by the Police and Crime Commissioner in accordance with Section 42B (1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation bands

A	£91.33	Being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.
B	£106.56	
C	£121.78	
D	£137.00	
E	£167.44	
F	£197.89	
G	£228.33	
H	£274.00	

- 
58. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2020/21 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2020/21.
 59. Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £54,651,467 for the financial year beginning 1 April 2020, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 42A, 42B and 45 to 48 of the 1992 Act, as amended.
 60. Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2020/21 as set out in the Annual MRP statement at Annex A to this report.

Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2020/21

The MRP charge for 2020/21 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

Capital receipts of £23.310m are expected to be available (£15.556m brought forward and £7.754m received 20/21-21/22) over the period of the MTF5. The receipts will be used to finance capital expenditure over the medium term period and reduce the overall capital financing requirement.

NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS TO THE 2020/21 BUDGET

Budget Risks

- 1 year settlement.
- CSR 2020.
- Pension Grant.
- Uplift Funding.

General Balances

The risk is that the General Reserve balance is not sufficient. This is mitigated by:

- The General Reserve will be kept at a minimum of 2% of revenue expenditure.
- Strong financial controls have resulted in a consistent trend of the revenue outturn being delivered within budget in recent years.

Pay Increases

The risk is that pay increases may exceed the levels provided for within the budget. Estimates for future pay awards have been fully included.

Price Increases

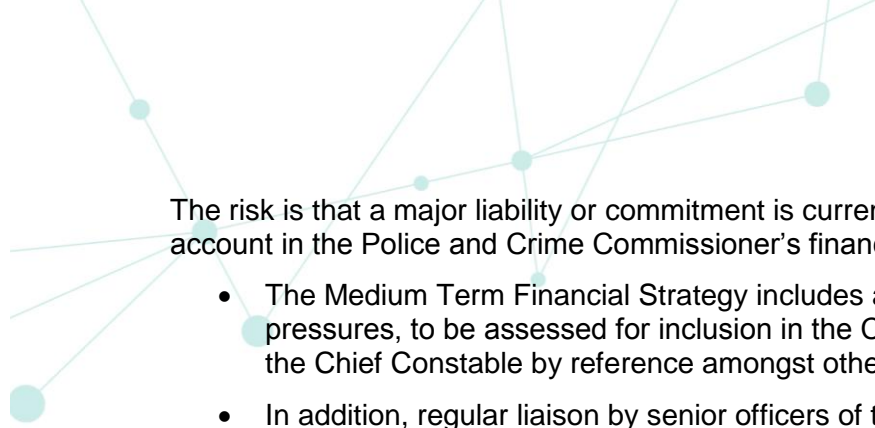
The risk is that price increases may exceed the levels provided for within the budget. This is mitigated by applying inflation on an individual basis to provide for contractual commitments and premises related expenditure. All other inflation will be managed within existing budgets reflecting the current economic climate. The risk that prices may rise is mitigated by budget monitoring arrangements and the Force's current approach to efficiency in challenging and managing spend pressures.

Capital Financing

The risk is that Capital Financing Charges will be greater than budgeted. This is mitigated by:

- Revenue implications are considered as part of the capital planning process and taken in to account in the MTFS.
- Advice is taken from the Commissioner's external treasury management advisers Link Asset Services (LAS) in relation to revenue estimates for borrowing and investment interest.
- The principal repayment in respect of debt is the Minimum Revenue Provision (MRP), calculated on an asset by asset basis as part of the capital planning process. Any change in interest rates will not have an effect as 100% of debt is at fixed rates and any refinancing of existing debt will only take place if it will lead to a long term saving in interest charges.

Financial Planning



The risk is that a major liability or commitment is currently known but has not been taken into account in the Police and Crime Commissioner's financial planning. This is mitigated by:

- The Medium Term Financial Strategy includes an assessment of spending pressures, to be assessed for inclusion in the Commissioner's budget, identified by the Chief Constable by reference amongst other sources to the Local Policing Plan.
- In addition, regular liaison by senior officers of the Force and the Commissioner's Office help to strengthen and coordinate the financial planning of the Commissioner.

Savings

Budget savings of £3.700m have been included in the revenue budget for 2020/21. The risk is that the budget savings will not be delivered. This is mitigated by:

- The strong record of delivering the budget within targets.
- Robust monitoring process for budget management throughout the year.
- Adequacy of the General Reserve and the overall reserves policy.

Loss of Deposit

The risk is that funds deposited by the Commissioner are lost due to the collapse of the financial institution with whom the deposit is placed. The risk is limited by the controls in the Treasury Management Strategy which focuses on control of deposits rather than returns. The potential impact is limited by the strategy of a diverse portfolio with top rated institutions which are either part nationalised or have credit guarantees.

Interest Rates on Deposits

The risk is that interest rates will be lower than expected and prudent assumptions on likely interest rates for 2020/21 have been incorporated into the budget. Advice has been taken from the Commissioner's external treasury management advisers Link Asset Services (LAS) on appropriate budget rates for borrowing and investment interest.

Budgetary Control

The risk is that the budget will overspend. This is mitigated by:

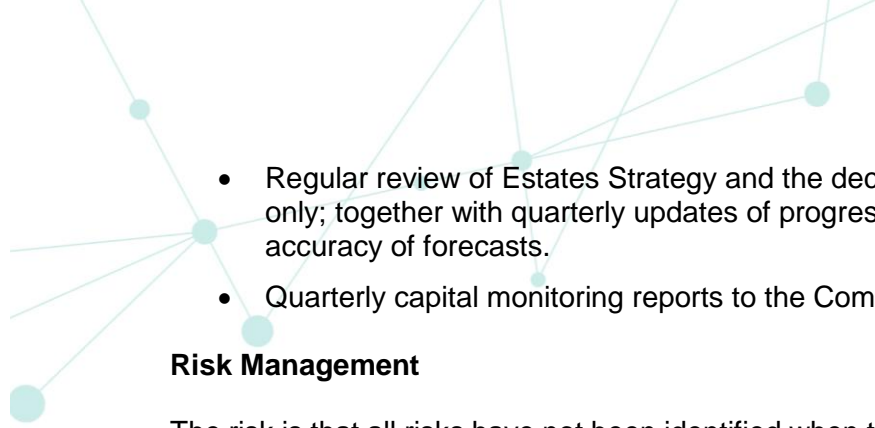
- Monthly budget monitoring in place.
- Quarterly monitoring reports to the Commissioner.

Council Tax

The risk following the localisation of Council Tax support is that collection rates could be affected which would impact on billing authorities' collection fund balances and any surpluses payable to the Commissioner. To mitigate this risk, local billing authorities have factored in prudent collection rates.

Capital Programme Implications

The risk is that the capital programme may be understated, funding will not be available as planned or that over spending may occur. This is mitigated by:

- 
- Regular review of Estates Strategy and the decision to focus on key priority schemes only; together with quarterly updates of progress will provide assurance in the accuracy of forecasts.
 - Quarterly capital monitoring reports to the Commissioner.

Risk Management

The risk is that all risks have not been identified when the budget has been set and that major financial consequences may result. This is mitigated by:

- Risk management arrangements.
- Comprehensive self and external insurance arrangements in place.
- Adequacy of the insurance reserve.
- Adequacy of the general balances and the overall reserves policy.