

Proposed Council Tax and Revenue & Capital Budgets 2021/22

1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2021/22:
 - A proposed revenue budget of £320.243m for policing and crime reduction that includes:
 - Continued budget provision to deliver the previously agreed plans for investment in Northumbria that will enable the force to continue delivering on the priorities of communities and provide an excellent standard of policing services.
 - Delivery of the Northumbria police officer Uplift target by March 2022.
 - Maintaining the investment agreed in 2020/21 which was phased over 2020/21 (6.3m) and 2021/22 (£2.0m).
 - Capital investment in buildings, vehicles and new technology of £17.634m.
 - Proposed increase of 4.99% on the Council Tax Precept (£6.84 per year for a Band D property) in 2021/22 to raise an additional £2.708m income.
 - Investment of £2.700m in the provision of an additional 60 police officer investigator posts over and above existing recruitment plans and the Uplift target set by government.

Considerations

2. In preparing the Revenue and Capital Budgets for 2021/22 the following have been considered:
 - The key principles underlying the Medium Term Financial Strategy (MTFS).
 - The Police Grant settlement for 2021/22 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 2020/21; budget pressures and savings identified for 2021/22; 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 2021/22 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.

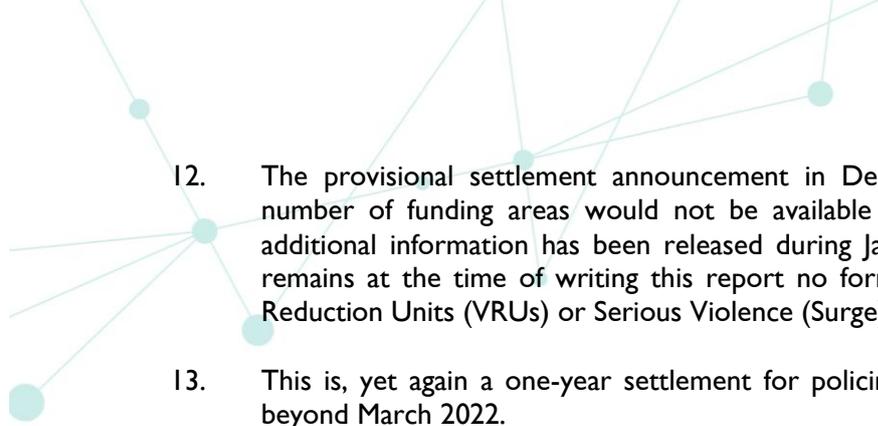


National Police Finance Settlement

5. The provisional police grant settlement was published on 16 December 2020.
6. The key headlines from the settlement are:
 - Police Core Grant – Core grant allocations to PCCs to be increased by £415m, to support the recruitment of an additional 6,000 officers by March 2022. This figure includes ring-fenced grant funding of £100m allocated to PCCs in-line with formula funding allocations and accessed through progression against their recruitment targets.
 - No direct inflationary increases have been allocated to core grant funding over and above the funding provided for additional officer recruitment.
 - 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 2021/22 that enable PCCs to raise additional funding for local priorities through an increase of up to £15.00 for a Band D property.
 - PCCs to receive a portion of additional grant funding for local council tax support.
 - Police Capital Funding – Capital grants to PCCs remain in-line with 2020/21 allocations.
 - The provisional settlement announcement in December stated that further detail for a number of funding areas would not be available till after the New Year. Whilst some additional information has been released during January and through various media, there remains at the time of writing this report no formal confirmation of funding for Violence Reduction Units (VRUs) or Serious Violence (Surge) capability.

Northumbria Settlement

7. The core grant increase for Northumbria including the Police Uplift Programme (PUP) grant is £12.761m, equivalent to 5.3%.
8. The increase is provided for recruitment of the Northumbria share of the national Uplift target of 6,000 officers by March 2022. The Northumbria target for Uplift during 2021/22 is an additional 181 officers.
9. It is important to acknowledge that the targeted central government funding to deliver the Police Uplift Programme will not return police officer numbers to the levels of 2010 or undo the overall funding reductions Northumbria Police have had to adjust to. Uplift targets allocated to date do not fully replace the 1,100 officers that Northumbria lost during that period.
10. Northumbria will continue to receive legacy grants totaling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15.
11. Capital grant funding allocated by the Government for Northumbria is £0.338m. This represents less than 2% of the total funding required for capital investment in 2021/22 and is a negligible amount when compared with the level of capital investment required by the force year-on-year.

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12. The provisional settlement announcement in December stated that further detail for a number of funding areas would not be available till after the New Year. Whilst some additional information has been released during January and through various media, there remains at the time of writing this report no formal confirmation of funding for Violence Reduction Units (VRUs) or Serious Violence (Surge) capability.
 13. This is, yet again a one-year settlement for policing which does not provide any certainty beyond March 2022.
 14. **Council Tax Precept** - The Government has proposed precept referendum limits for 2021/22 that enable PCCs to raise additional funding for local priorities through an increase of up to £15.00 for a Band D property. For residents in Northumbria this would equate to a further 10.95% on Council Tax bills for 2021/22. However, 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

15. The Commissioner has a capital budget for 2020/21 of £19.320m. The Quarter 3 capital monitoring report outlined a revised capital estimate of £12.134m as at 31 December 2020. The reduction is attributed to planned refurbishment work being placed under review, as a consequence of understanding the full implications of 'Covid-secure' requirements and contractual obligations.
16. The following table sets out the forecast outturn position for 2020/21 and a summary of the capital programme for 2021/22:

Capital Programme	Revised Budget 2020/21 £000	Forecast Outturn 2020/21 £000	Forecast Variance 2020/21 £000	Budget Estimate 2021/22 £000
Building Works	8,150	1,909	(6,241)	4,012
Information Technology and Digital Transformation	6,186	5,807	(379)	9,852
Vehicles and Equipment	4,984	4,418	(566)	3,770
	19,320	12,134	(7,186)	17,634

17. Key areas to note in the proposed programme are:
 - **Major and Minor Building Schemes** – The force has a programme of refurbishment and adaptation aimed at improving the condition of the estate with a focus on staff wellbeing as well as being able to fully accommodate the Uplift in officer numbers.
 - **Information Technology** - The Force have a number of significant improvement schemes to deliver change and efficiency through transformation which includes considerable investment in IT and digital infrastructure. We are going to start the process of replacing IT infrastructure which will include the replacement of all core operating systems; investment in data and analytics; and the future implementation of the National Emergency Services Network (ESN) within Northumbria.
 - **Vehicles and Equipment** – Continued planned investment in replacement of force vehicles in accordance with delivery of the rolling programme of fleet investment. The provision and upgrading of personal issue equipment including body armour

replacement, an Uplift in Taser capability and body-worn video. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.

Revenue Budget Position 2020/21

18. The Commissioner's Group revenue budget for 2020/21 is £296.393m. The Quarter 3 revenue monitoring report shows a projected underspend of £0.451m as at 31 December 2020.

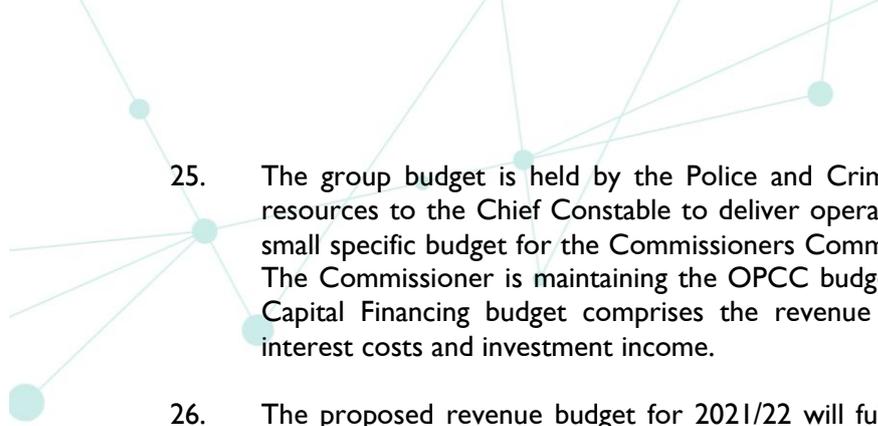
Revenue Budget 2020/21 Group Position	Approved Budget 2020/21 £000	Forecast Outturn 2020/21 £000	Forecast Variance 2020/21 £000
Chief Constable	283,382	284,011	629
Police & Crime Commissioner	2,264	1,966	(298)
Capital Financing	10,747	9,965	(782)
Group Position Total	296,393	295,942	(451)

19. The Chief Constable's revenue budget for 2020/21 is £283.382m. The forecast overspend of £0.629m is attributable to the unfunded impact of the Covid-19 pandemic on force budgets. The Commissioner has allocated funding from within the general reserve to manage costs resulting from the pandemic that are not met by government in 2020/21.
20. The underspend against the Commissioners budget reflects a reduction in forecast expenditure against the Discretionary Fund during 2020/21.
21. For Capital financing the underspend relates mainly to the principal repayment of capital which is lower than the original budget estimate based on reduced expenditure in the final capital outturn for 2019/20. In addition interest costs are lower than budgeted which is attributable to the reduced borrowing requirement and the two emergency cuts to Bank Rate in March 2020.
22. The overall Group forecast represents an underspend of £0.451m, a variance of less than 0.2% of budget.
23. The forecast closing position on the general reserve for 2020/21 is £10.0m which is above the minimum set out in the Commissioners reserves strategy.

Revenue Budget 2021/22

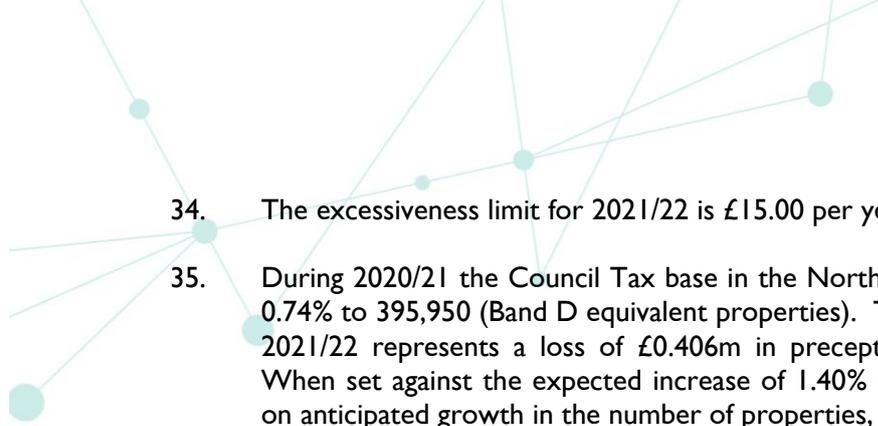
24. For the financial year 2021/22, the proposed Group revenue budget is £320.243m as set out below:

Group Revenue Budget 2021/22	Proposed Budget 2021/22 £000
Chief Constable	305,927
Police & Crime Commissioner	2,264
Capital Financing	12,052
Net Expenditure	320,243
Central Government Grants	(263,460)
Council Tax Precept	(56,783)
Central Grant and Precept Total	(320,243)
Transfer (to)/from reserves	nil

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25. The group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The Commissioner has a small specific budget for the Commissioners Community Fund and the OPCC running costs. The Commissioner is maintaining the OPCC budget element at flat cash for 2021/22. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.
 26. The proposed revenue budget for 2021/22 will fully deliver the Northumbria share of the National police officer Uplift of an additional 6,000 officers by March 2022. The Northumbria target for Uplift during 2021/22 is an additional 181 officers.
 27. The approved investment of £8.3m which was agreed last year and phased over 2020/21 (6.3m) and 2021/22 (£2.0m) is fully included in the revenue budget set for 2021/22. This significant investment provided the opportunity to invest in the infrastructure necessary to take Northumbria Police forward to 2025. Investment in IT and digital infrastructure, investigative capacity, digital forensics, public contact and maintaining focus on the most vulnerable members of our communities will continue to be delivered in 2021/22 and across the MTFS period.
 28. In addition, in order to address the increase in demand and complexity of investigations, as well as looking to improve the quality of investigations, the Council Tax precept will be used to deliver an additional 60 police officer investigator posts in 2021/22, over and above existing recruitment plans and the Uplift target set by government. The £2.7m raised through the precept increase will provide for all salary and employer costs including training, IT, uniform and personal protective equipment, allowances, recruitment costs and personal issue kit such as Taser capability and body-worn video.
 29. As the total cost of policing continues to rise, consideration has been given to all known budget pressures to make sure that the budget meets the challenge of providing Northumbria with the right resources to keep people safe. This includes the replacement of over 200 officer retirements and other leavers in addition to Uplift and the 60 police officer investigator posts. Pay progression is included for existing officers and staff along with the full year effect of the 2020 pay award, inflationary increases on injury pensions, rents and utilities, known contract increases and other non-pay inflation.
 30. Budget pressures incorporated include ICT revenue costs associated with capital schemes, IT software licenses, storage and new software solutions, known operational budget pressures and budget provision to support Home Working arrangements across the force.
 31. The force continues to apply scrutiny to all budgets, every year and on a line-by-line basis to ensure that all opportunities for savings are identified and budget increases are subject to robust challenge.
 32. Increased capital financing costs are included for 2021/22 reflecting the additional revenue cost of supporting 2020/21 capital investment through prudential borrowing. This includes the planned profile of interest costs, investment income and the principal repayment of borrowing.

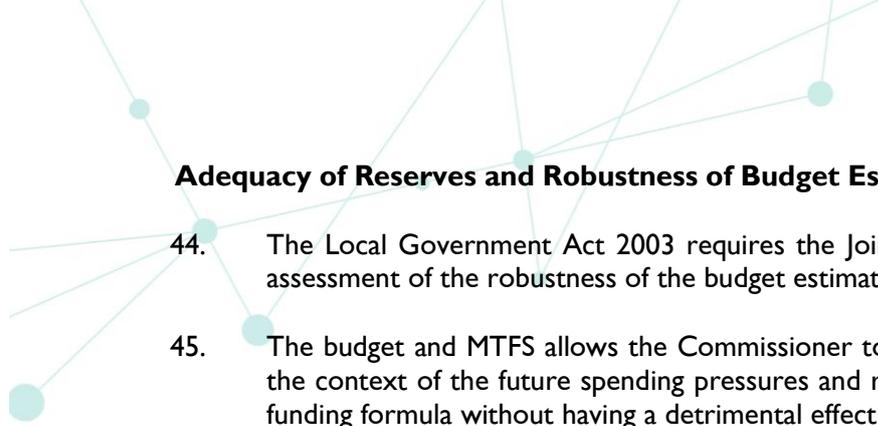
Council Tax Options

33. 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.

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34. The excessiveness limit for 2021/22 is £15.00 per year for a Band D property.
 35. During 2020/21 the Council Tax base in the Northumbria force area reduced by an average 0.74% to 395,950 (Band D equivalent properties). The reduction in the Council Tax base for 2021/22 represents a loss of £0.406m in precept income when compared with 2020/21. When set against the expected increase of 1.40% (£0.800m) within last year's MTFs, based on anticipated growth in the number of properties, this represents a shortfall of £1.206m.
 36. In addition, the net position estimated on the Commissioners share of Collection Fund balances at 31 March 2021, across the six local billing authorities, is a net deficit of £0.608m. Regulations governing the recovery of a deficit would ordinarily require the full amount to be paid to the Local Authority Collection Fund over the following financial year. However, on 1 December 2020, 'The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020' were implemented and the changes to regulations require that an element of this deficit is spread across 3 years. The net deficit payable by the Commissioner in 2021/22 is £0.170m with £0.438m deferred to the following 2 years.
 37. The PCC will receive a share of additional grant funding for local council tax support in 2021/22 of £1.686m. This is a one-off grant for 2021/22 only. This funding is being provided to compensate precepting and billing authorities for losses in Council Tax income as a result of the impact of the Covid-19 Pandemic on Tax Base.
 38. In calculating the overall settlement for policing in 2021/22 the Government has proposed enabling each PCC to raise further funding for local priorities through an increase of up to £15.00 per year for a Band D property. For residents in Northumbria this would equate to a further 10.95% on Council Tax bills for 2021/22. 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.
 39. The proposal is to increase the Council Tax precept by 4.99% (£6.84 per year for a Band D property) to raise an additional £2.708m over 2020/21. The Commissioner has stated that she is mindful that this last year has been one of financial challenge for many households and whilst the Government has said it will allow an increase of £15 per household (equivalent to 10.95% in Northumbria), the smaller increase of 4.99% is fairer to households while still ensuring Northumbria Police is well placed for the future.
 40. The anticipated receipts of £56.953m from the precept are fully reflected within the proposed budget for 2021/22 as set out earlier in the report.

Reserves

41. The Commissioner's reserves policy is set out in the MTFs and the Annual Reserves Strategy Statement and is subject to regular review.
42. 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 2021 the balance is estimated to be £10.0m which equates to 3.1%.
43. Earmarked reserves are held by the Commissioner to address specific risks identified for Northumbria and these reserves will remain broadly unchanged across the 2021/22 financial year. These reserves remain appropriate, of sufficient value and fit for their intended purpose.



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 and known budget pressures.
 - 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, Comprehensive Spending Review (CSR) 2021 and the levels of grant support beyond 2021/22.
47. At 31 March 2021, the Commissioner's General Reserve is estimated at £10.0m (3.1% 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 is considered adequate to cover the financial risks faced by the Commissioner in 2021/22.

Council Tax Requirement

49. The notified Council Tax Base figure across the six billing authorities is a total of 395,950 for 2021/22 which is a reduction of 2,966 against the previous year (0.74%).
50. 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 2021/22	£m	£m
Total Revenue Expenditure		320.243
Add: Appropriations to/(from) Reserves		-
Budget Requirement		320.243
Less:		
Home Office Core Grant	250.183	
Special Pension Grant	3.423	
Localised Council Tax Support Grant	6.867	
Council Tax Freeze Grant 2011/12	0.912	
Council Tax Freeze Grant 2014/15	0.389	
Local Council Tax Support Grant (Covid-19)	1.686	(263.460)
Balance to be Raised Locally		56.783
Add: Estimated Net Deficit on Collection Funds		0.170
Council Tax Requirement		56.953

51. The proportion of collection funds' net deficit payable by Northumbria Police to its constituent billing authorities is £0.170m for 2021/22 (£0.938m surplus in 2020/21), with a further £0.219m payable in each of 2022/23 and 2023/24.

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 and provide funds for the principal repayment of borrowing. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2021/22 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 395,950 for the year 2021/22 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 2021/22 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:

- (a) £337.236m 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) £280.283m 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) £56.953m 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) £143.84 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 | £95.89 | 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 | £111.88 | |
| C | £127.86 | |
| D | £143.84 | |
| E | £175.80 | |
| F | £207.77 | |
| G | £239.73 | |
| H | £287.68 | |

58. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2021/22 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2021/22.

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 £56,953,423 for the financial year beginning 1 April 2021, 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 2021/22 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 2021/22

The MRP charge for 2021/22 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.

NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS TO THE 2021/22 BUDGET

General Balances

The Commissioner's strategy for General Reserves is that these will be maintained at a minimum of 2% of the net revenue budget, to cover any major unforeseen expenditure or loss of funding. The financial risk is that the minimum level is threatened by the need to use reserves. For budgetary purposes the Commissioners MTFS plans aim to maintain a prudent General Reserve level set at 3% of net revenue budget.

The proposed budget as presented for 2021/22, and subject to robust and effective budgetary controls, does not create a risk to the General Reserve. The Commissioner is proposing a balanced budget with the forecast General Reserve remaining unchanged across the year at £10.0m representing 3.1% of net revenue budget, which is well above the minimum in the strategy.

Pay Increases

In the Spending Review 2020 on 25 November 2020 the Government announced a pay freeze for most public sector workers including police officers and staff, other than those on lower incomes (below £24,000). The revenue budget for 2021/22 has therefore been set on that basis. The risk is that the Government's decision is rescinded and changed, with the effect that pay increases for 2021/22 exceed the level provided for within the budget.

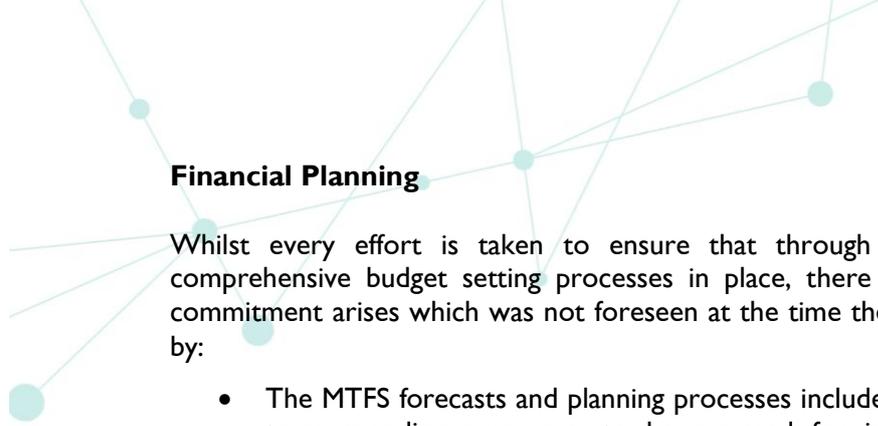
Price Increases and Inflation

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, reviewed and revised each year as part of the budget and MTFS process. Monthly budget monitoring ensures that potential variances are identified at the earliest opportunity in order to consider remedial action.
- 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

Whilst every effort is taken to ensure that through all the detailed financial planning and comprehensive budget setting processes in place, there remains a risk that a major liability or commitment arises which was not foreseen at the time the budget was approved. This is mitigated by:

- The MTFS forecasts and planning processes include robust assessments of potential medium term 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.

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 focus on control and safety of deposits rather than maximising investment returns. The potential impact is limited by the strategy of a diverse portfolio with strict creditworthiness criteria and regular advice on the placement of new investments provided by the Commissioner's external treasury management advisers Link Asset Services (LAS).

Interest Rates on Deposits

The risk is that interest rates will be lower than expected. As a result of the 2 emergency cuts to Bank Rate in March 2020 in response to the Covid-19 pandemic, interest rates remain at historically low levels and the economic outlook suggests they will remain flat for this year and next. 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 and prudent assumptions on likely interest rates for 2021/22 have been incorporated into the budget. The investment income budget for 2021/22 is therefore minimal at £0.040m and any fluctuation below that estimate would have little impact on the Group position.

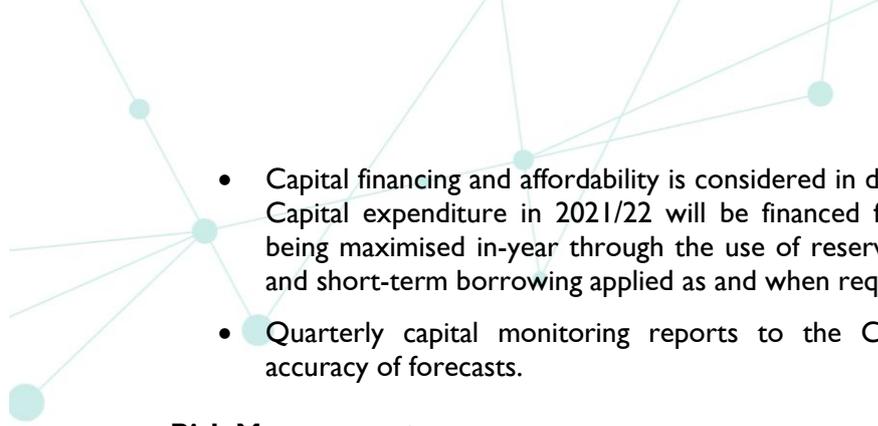
Council Tax

There is a significant degree of uncertainty on all matters relating to Council Tax income as a result of the Covid-19 pandemic and the impact on both the economy and employment. Local Authorities have reported a fall in collection rates, slowing of the growth provided by the house building sector and greater demand placed on Local Council Tax Support Schemes. The impact on precept income for Northumbria has been largely managed for 2021/22 with losses resulting from the net reduction in Tax Base across the six local authorities and the net deficit on the 2020/21 collection funds being offset by additional grant funding for Local Council Tax Support.

There remains a risk for future years which requires prudent estimates to be applied to MTFS forecasts for Council Tax. The additional grant funding has been confirmed for 2021/22 only but it is likely that the impact on Tax Base will extend into future years. Any deficit on the Collection Fund estimates used to set the precept for 2021/22 will impact on future years, and will be considered as part of budget setting for 2022/23 and beyond.

Capital Programme Implications

The risk is that the cost estimates included in the capital programme are understated, funding is not available as planned or that over spending may occur. This is mitigated by:

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- Capital financing and affordability is considered in detail alongside the budget setting process. Capital expenditure in 2021/22 will be financed from borrowing with internal borrowing being maximised in-year through the use of reserve balances to minimise borrowing costs, and short-term borrowing applied as and when required to manage cashflow.
 - Quarterly capital monitoring reports to the Commissioner provide assurance in the accuracy of forecasts.

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.