

## **Proposed Council Tax and Revenue & Capital Budgets 2022/23**

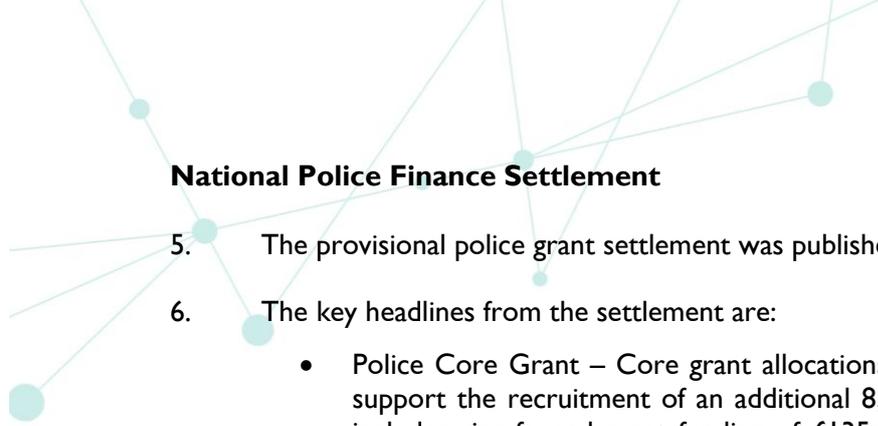
1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2022/23:
  - A proposed revenue budget of £339.332m for policing and crime reduction that includes:
    - Delivery of the Northumbria police officer Uplift target by March 2023.
    - Capital investment in buildings, vehicles and new technology of £27.998m.
    - Proposed increase of £10.00 per year on the Council Tax Precept for a Band D property in 2022/23 to raise an additional £4.018m income, which will provide investment in:
      - Additional call handlers to improve performance for 999 and 101 services.
      - Extra resources to tackle cyber-crime and serious and organised crime.
      - More civilian investigators to support investigations and free up officers.
      - Workforce investment – supporting our officers to keep them on the beat and tackling crime.

### **Considerations**

2. In preparing the Revenue and Capital Budgets for 2022/23 the following have been considered:
  - The key principles underlying the Medium Term Financial Strategy (MTFS).
  - The Police Grant settlement for 2022/23 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 indicative increases to police funding provided by government for 2023/24 and 2024/25.
  - The overall financial position of the force including: The likely revenue and capital outturn for 2021/22; budget pressures and savings identified for 2022/23; and the level of reserves available to the PCC.
  - Delivery of the Police and Crime Plan.
  - Risk assessments.
  - The Prudential Code for Capital Finance in Local Authorities.

### **Financial Strategy**

3. The 2022/23 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.

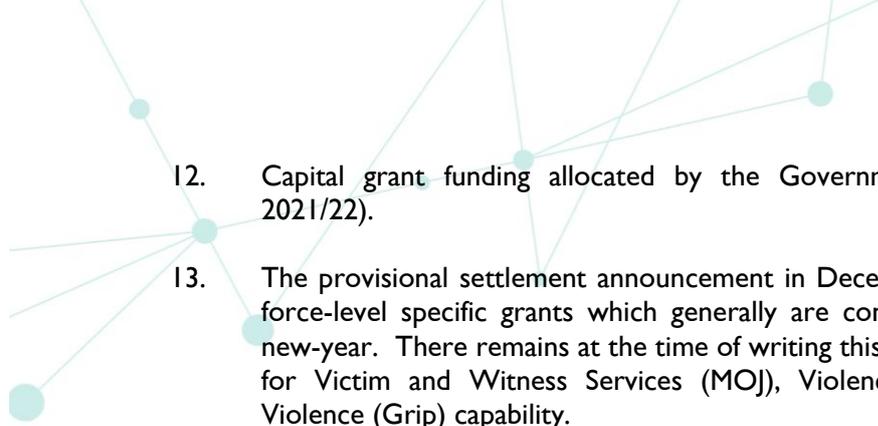


## National Police Finance Settlement

5. The provisional police grant settlement was published on 16 December 2021.
6. The key headlines from the settlement are:
  - Police Core Grant – Core grant allocations to PCCs to be increased by £550m, to support the recruitment of an additional 8,000 officers by March 2023. This figure includes ring-fenced grant funding of £135m allocated to PCCs in-line with formula funding allocations and accessed through progression against their recruitment targets.
  - Minimum increases of £100m (2023/24) and £150m (2024/25) to police funding nationally.
  - Legacy grants relating to Council Tax and freeze grants for 2011/12 and 2014/15 remain payable.
  - The Local Council Tax Support (Covid) grant allocated in 2021/22 to compensate PCCs for a reduction in tax base has not been repeated for 2022/23.
  - 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 the 3-year spending review period 2022/23 to 2024/25, that enable PCCs to raise additional funding for local priorities through an increase of up to £10.00 for a Band D property in each year.
  - Police Capital Funding – The provisional settlement states that capital grants to PCCs have been stopped and will be redistributed as part of wider capital reallocations.
  - There remains at the time of writing this report, no formal confirmation of funding for Victim and Witness Services (MOJ), Violence Reduction Units (VRUs) or Serious Violence (Grip) capability.

## Northumbria Settlement

7. The core grant increase for Northumbria including the Police Uplift Programme (PUP) grant is £16.750m.
8. The increase is provided for recruitment of the Northumbria share of the national Uplift target of 8,000 officers by March 2023. The Northumbria target for Uplift during 2022/23 is an additional 246 officers.
9. The increase also includes compensation for the additional cost of Employers National Insurance as a result of the Government's new Health and Social Care Levy effective 1 April 2022. The cost of the Levy for Northumbria is estimated at £1.950m.
10. 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.
11. Northumbria will continue to receive legacy grants totaling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15.

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12. Capital grant funding allocated by the Government for Northumbria is nil (£0.338m 2021/22).
  13. The provisional settlement announcement in December did not include any information on force-level specific grants which generally are confirmed directly with forces early in the new-year. There remains at the time of writing this report no formal confirmation of funding for Victim and Witness Services (MOJ), Violence Reduction Units (VRUs) or Serious Violence (Grip) capability.
  14. **Council Tax Precept** – The Government has proposed precept referendum limits for the 3-year Spending Review period 2022/23 to 2024/25 that enable PCCs to raise additional funding for local priorities through an increase of up to £10.00 per year for a Band D property, in each of those years. 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 2021/22 of £21.536m. The Quarter 3 capital monitoring report outlined a revised capital estimate of £14.172m as at 31 December 2021, a reduction of £7.364m.
16. The reduction is attributed to changes in phasing of the planned programme of major refurbishments to the force estate; re-phasing of IT and Digital Transformation schemes; and continued uncertainty around the availability of vehicles as a consequence of world-wide supply chain shortages together with price increases.
17. The following table sets out the forecast outturn position for 2021/22 and a summary of the capital programme for 2022/23:

Capital Programme	Revised Budget 2021/22 £000	Forecast Outturn 2021/22 £000	Forecast Variance 2021/22 £000	Budget Estimate 2022/23 £000
Building Works	4,536	2,046	(2,490)	9,606
Information Technology and Digital Transformation	12,230	9,218	(3,012)	10,689
Vehicles and Equipment	4,770	2,908	(1,862)	7,703
	21,536	14,172	(7,364)	27,998

18. Key areas to note in the proposed capital 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 have commenced the process of replacing key 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 the replacement of force vehicles, in accordance with delivery of the rolling programme of fleet investment within a challenging climate. The budget includes slippage of £2.703m in vehicles from the 2021/22 capital programme due to world-wide supply chain shortages and some significant price increases. The provision and upgrading of personal issue equipment including Taser capability, body-worn video and £1.220m for body worn armour replacement. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.

### Revenue Budget Position 2021/22

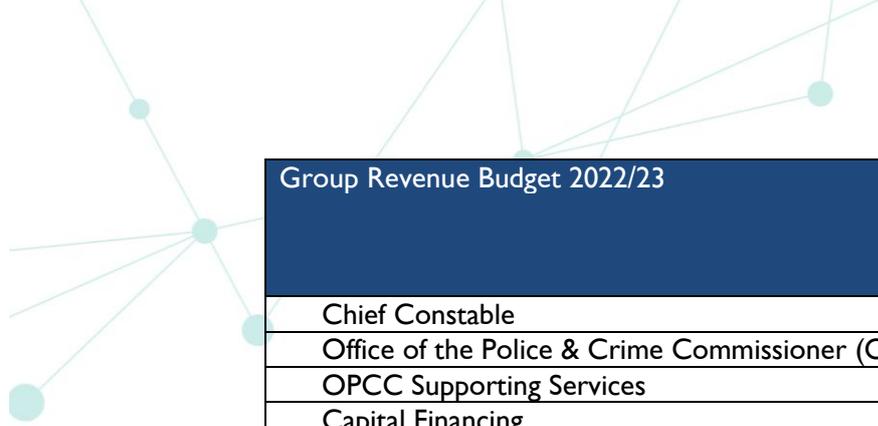
19. The Commissioner’s Group revenue budget for 2021/22 is £320.243m. The Quarter 3 revenue monitoring report shows a projected underspend of £1.851m as at 31 December 2021.

Revenue Budget 2021/22 Group Position	Approved Budget 2021/22 £000	Forecast Outturn 2021/22 £000	Forecast Variance 2021/22 £000
Chief Constable	305,927	304,393	(1,534)
Police & Crime Commissioner	2,309	2,309	-
Capital Financing	12,007	11,690	(317)
<b>Group Position Total</b>	<b>320,243</b>	<b>318,392</b>	<b>(1,851)</b>

20. The Chief Constable’s revenue budget for 2021/22 is £305.927m. The forecast outturn is within the budget allocated by the Commissioner with phasing and recruitment of police staff contributing to the underspend position, along with external training and tuition fees and income received in respect of mutual aid (COP26).
21. For Capital financing the underspend relates to the principal repayment of capital which is lower than the original budget estimate based on reduced expenditure in the final capital outturn for 2020/21. In addition interest costs for short-term temporary borrowing are lower than budget which is attributable to a reduced borrowing requirement and Bank Rate remaining at 0.1% for most of the year.
22. The overall Group forecast represents an underspend of £1.851m, a variance of less than 0.6% of budget.
23. The forecast closing position on the general reserve for 2021/22 is £10.058m which is above the minimum set out in the Commissioners reserves strategy.

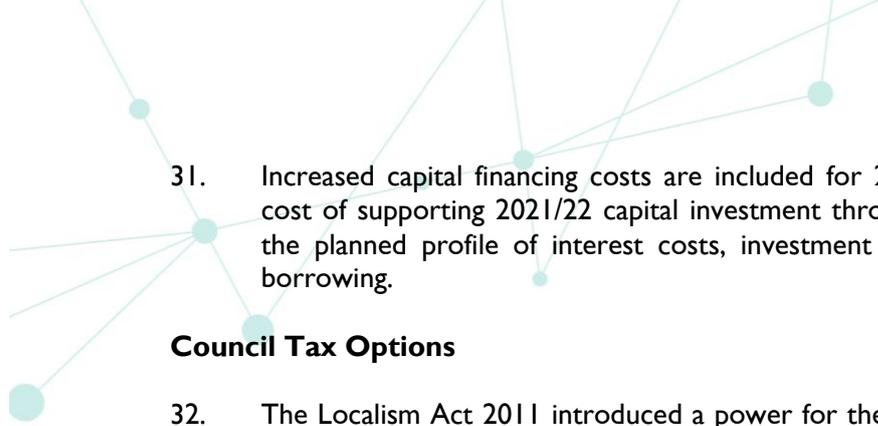
### Revenue Budget 2022/23

24. For the financial year 2022/23, the proposed Group revenue budget is £339.332m as set out in the following table:



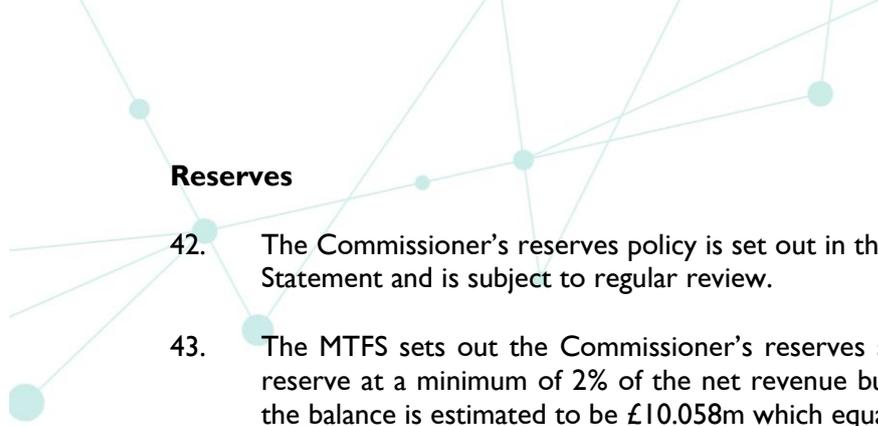
Group Revenue Budget 2022/23	Proposed Budget 2022/23 £000
Chief Constable	322,788
Office of the Police & Crime Commissioner (OPCC)	1,829
OPCC Supporting Services	1,121
Capital Financing	13,594
Net Expenditure	339,332
Central Government Grants	(276,818)
Council Tax Precept	(62,514)
Central Grant and Precept Total	(339,332)
Transfer (to)/from reserves	nil

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 OPCC budget of £1.829m covers the running costs of the Commissioner and her office, covering all administration and governance arrangements. The OPCC Supporting Services budget of £1.121m includes the specific budget for the Commissioners Community Fund and in addition the Northumbria Sexual Assault Referral Centre (SARC), for which there has been a transfer of budget and service ownership from the Force. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.
26. The proposed revenue budget for 2022/23 will fully deliver the Northumbria share of the National police officer Uplift of an additional 8,000 officers by March 2023. The Northumbria target for Uplift during 2022/23 is an additional 246 officers.
27. The increase in the Council Tax Precept for 2022/23 will provide investment in:
- Call handlers for 999 and 101 services.
  - Extra resources to tackle cyber-crime and serious and organised crime.
  - More civilian investigators to support investigation and free up officers.
  - Workforce investment – supporting our officers to keep them on the beat and tackling crime.
28. 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 delivery. Pay progression is included for existing officers and staff along with provision for the 2022 pay award, inflationary increases on injury pensions, rents and utilities, known contract increases and other non-pay inflation.
29. Budget pressures incorporated include ICT revenue costs associated with capital schemes, IT product and software support and licenses, new software solutions, known operational budget pressures, an increase in building repairs and servicing to support estates asset management and business planning, and budget provision to support the outcome of the Role, Reward and Pay (RRP) review for police staff in Northumbria.
30. 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.

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31. Increased capital financing costs are included for 2022/23 reflecting the additional revenue cost of supporting 2021/22 capital investment through prudential borrowing. This includes the planned profile of interest costs, investment income and the principal repayment of borrowing.

### **Council Tax Options**

32. 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.
33. The excessiveness limit for 2022/23 is £10.00 per year for a Band D property.
34. During 2021/22 the Council Tax base in the Northumbria force area increased by an average 1.49% to 401,844 (Band D equivalent properties). The increase in the Council Tax base for 2022/23 represents an increase of £0.848m in precept income when compared with 2021/22 which is broadly in-line with the expected increase of 1.50% within last year's MTFS forecast.
35. In addition, the net position estimated on the Commissioners share of Collection Fund balances at 31 March 2022, across the six local billing authorities, is a net surplus of £0.913m. (Deficit £0.608m as at 31 March 2021)
36. The net surplus of £0.913m will be received by the Commissioner in 2022/23.
37. In addition to the net surplus due from the six Local Authorities, there is a smaller legacy deficit payable by the Commissioner in 2022/23 and 2023/24 of £0.219m per year. This relates to the implementation of 'The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020' which required that payment of any deficit relating specifically to the 2020/21 financial year was spread across 3 years 2021/22 to 2023/24. The net surplus receivable in 2022/23 is therefore £0.694m.
38. The PCC received additional grant funding for local council tax support in 2021/22 of £1.686m. This was a one-off grant for 2021/22 only, 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. There has been no such grant funding allocated for 2022/23.
39. In calculating the overall settlement for policing in 2022/23 the Government has proposed enabling each PCC to raise further funding for local priorities through an increase of up to £10.00 per year for a Band D property. 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.
40. The proposal is to increase the Council Tax precept by £10.00 per year for a Band D property which equates to an increase of 6.95%. The Commissioner has stated that her primary consideration is to ensure public safety through a well-resourced police force and that this priority is reinforced in almost every consultation carried out by her office. The proposed increase is supported by the results of a public consultation during January 2022 and will provide additional income to continue to support local policing services in the face of a challenging financial situation.
41. The anticipated receipts of £61.820m from the Council Tax precept are fully reflected within the proposed budget for 2022/23 as set out earlier in the report.



## Reserves

42. The Commissioner's reserves policy is set out in the MTFS and the Annual Reserves Strategy Statement and is subject to regular review.
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 2022 the balance is estimated to be £10.058m which equates to 3.0%.
44. Earmarked reserves are held by the Commissioner to address specific risks identified for Northumbria and these reserves will remain broadly unchanged across the 2022/23 financial year. These reserves remain appropriate, of sufficient value and fit for their intended purpose.

### **Adequacy of Reserves and Robustness of Budget Estimates**

45. 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.
46. 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.
47. 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 2022/23.
48. At 31 March 2022, the Commissioner's General Reserve is estimated at £10.058m (3.0% 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.
49. 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 2022/23.

## Council Tax Requirement

50. The notified Council Tax Base figure across the six billing authorities is a total of 401,844 for 2022/23 which is an increase of 5,894 against the previous year (1.49%).
51. 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 2022/23	£m	£m
<b>Total Revenue Expenditure</b>		<b>339.332</b>
<b>Add:</b> Appropriations to/(from) Reserves		-
<b>Budget Requirement</b>		<b>339.332</b>
<b>Less:</b>		
Home Office Core Grant	265.227	
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	<b>(276.818)</b>
<b>Balance to be Raised Locally</b>		<b>62.514</b>
<b>Add:</b> Estimated Net Surplus on Collection Funds		0.694
<b>Council Tax Requirement</b>		<b>61.820</b>

52. The proportion of collection funds' net surplus receivable by Northumbria Police from its constituent billing authorities is £0.913m for 2022/23 offset by the deficit payable in relation to the 2020/21 collection fund of £0.219m, resulting in a net surplus of £0.694m.

## Minimum Revenue Provision (MRP)

53. 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 2022/23 is attached at Annex A.

## Financial Considerations

54. Financial implications are considered throughout the report.

## Risk Management

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

## Recommendations (Proposed)

56. 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.

57. Note the Council Tax Base of 401,844 for the year 2022/23 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).

58. Approve the following amounts for the year 2022/23 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:

(a) £363.594m 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.

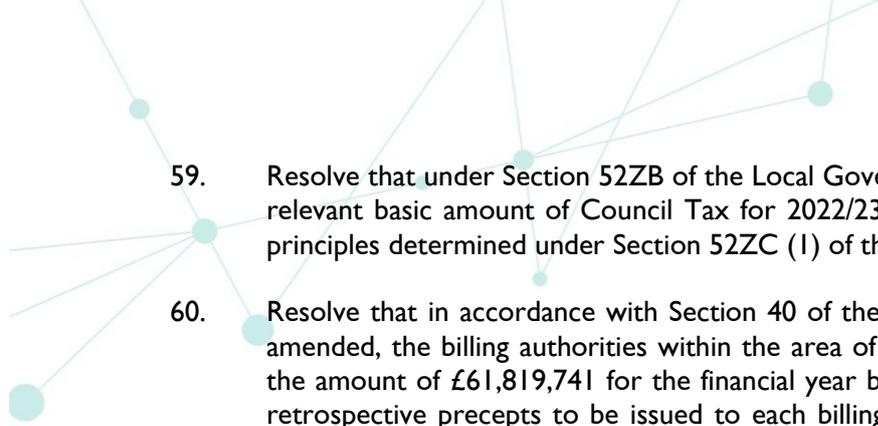
(b) £301.774m Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the item set out in S42A (10) of the Act.

(c) £61.820m 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) £153.84 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	£102.56	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	£119.65	
C	£136.75	
D	£153.84	
E	£188.03	
F	£222.21	
G	£256.40	
H	£307.68	

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59. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2022/23 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2022/23.
  60. 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 £61,819,741 for the financial year beginning 1 April 2022, 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.
  61. Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2022/23 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 2022/23**

The MRP charge for 2022/23 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 2022/23 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 2022/23, 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 £10.058m representing 3.0% of net revenue budget, which is well above the minimum in the strategy.

### **Pay Increases**

In January 2022 the National Police Chief's Council (NPCC) agreed that forces should prepare financial forecasts based on a pay award of 3.5% for 2022/23. The revenue budget for 2022/23 has therefore been set on that basis. The risk is that actual pay increases for 2022/23 exceed the level provided for within the budget.

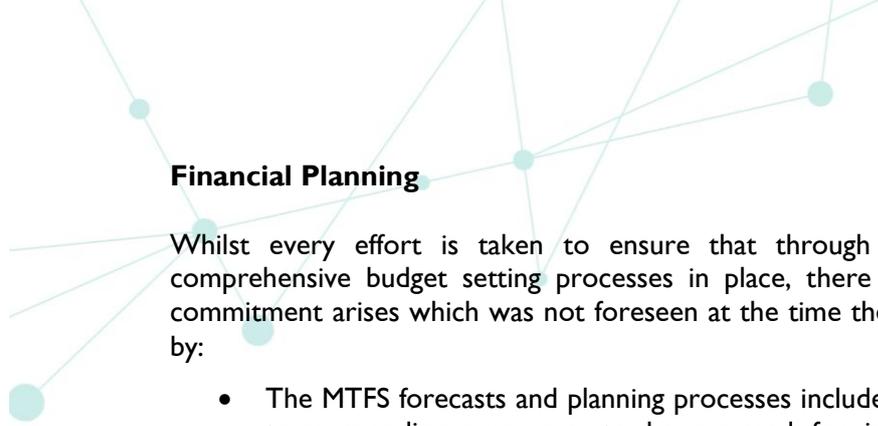
### **Price Increases and Inflation**

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).

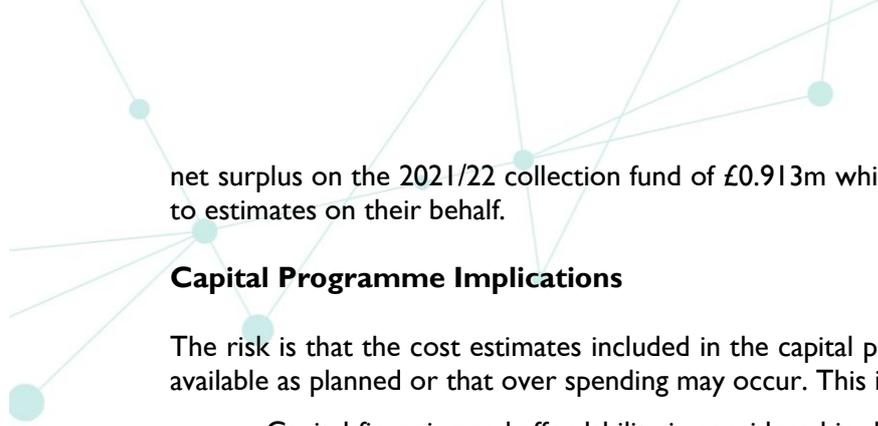
## Interest Rates on Deposits

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 remained at the historically low level of 0.1% during 2020/21 and for most of 2021/22, with a small increase to 0.25% in December 2021. 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 2022/23 have been incorporated into the budget. The investment income budget has been increased from £0.040m for 2021/22 to £0.090m for 2022/23 however any fluctuation below that estimate is likely to 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. For the 2021/22 financial year Local Authorities 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, which impacted heavily on tax base estimates for 2021/22 resulting in a net reduction of 0.74% for that year. The impact on precept income for Northumbria was 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 (Covid).

There remains a risk for future years which requires prudent estimates to be applied to MTFS forecasts for Council Tax. The additional grant support for the tax base reduction in 2021/22 has not been repeated for 2022/23 despite the impact of those reductions extending into future years. The net increase in tax base of 1.49% across the six Local Authorities for 2022/23 is in-line with the previous MTFS estimate for the year. The risk is that the tax base set for 2022/23 is not achieved and the resulting deficit becomes payable in 2023/24, however the six Local Authorities returned a



net surplus on the 2021/22 collection fund of £0.913m which shows evidence of a prudent approach to estimates on their behalf.

### **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:

- Capital financing and affordability is considered in detail alongside the budget setting process. Capital expenditure in 2022/23 will be financed through a mix of capital receipts and prudential borrowing. Internal borrowing will be maximised in-year through the use of reserve balances in order 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.