Northumberland

Northumberland County Council

Looking forward

Medium Term Financial Plan 2017 – 2020 and Budget for 2017 – 2018

Part 2

Northumberland

Northumberland County Council

Part 2
Medium Term Financial Plan 2017-2020 and Budget for 2017-2018

Northumberland County Council

CORPORATE RESOURCES AND REGIONAL AFFAIRS OVERVIEW & SCRUTINY COMMITTEE

26 JANUARY 2017

MEDIUM TERM FINANCIAL PLAN 2017-2020 AND BUDGET 2017-2018

Report of the Chief Executive

Cabinet Member: Grant Davey, Leader of the County Council

Purpose of Report

The purpose of this report is to present the revised Medium Term Financial Plan 2017-2020 and revised Budget for 2017-2018 (year two of the budget approved by County Council at its meeting on 24 February 2016) to the Committee for scrutiny, before it is presented to the Cabinet who will make formal budget recommendations to the County Council.

Northumberland County Council

CABINET

7 FEBRUARY 2017

MEDIUM TERM FINANCIAL PLAN 2017-2020 AND BUDGET 2017-2018

Report of the Chief Executive

Cabinet Member: Grant Davey, Leader of the County Council

Purpose of Report

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

The report provides an update to the Medium Term Financial Plan 2017-2020 and Budget for 2017-2018 which were approved by County Council at its meeting on 24 February 2016, following the Government's Autumn Statement of 23 November 2016 and the publication of the Local Government Finance Settlement on 15 December 2016.

It is important to note that there may need to be some revisions to the figures following receipt of the final funding settlement figures which are expected in February 2017.

Recommendations

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

1. **Note the significant reduction in Settlement Funding Assessment (24.36 per cent) and Revenue Support Grant (75.21 per cent) and the worse than average growth in Core Spending Power received by the Council (1.17 per cent) in comparison to the England average (2.56 per cent) and the average of the seven North East Councils (2.50 per cent) over the period of the Medium Term Financial Plan.**

2. **Note the Government's assessment of Core Spending Power for the Council assumes an annual inflationary uplift for Council Tax, that the additional Adult Social Care Council Tax precept is charged annually; and, that the Council grows its Council Tax Base year on year.**

   No adjustment is made to funding allocations to take into account inflationary increases, which amount to £4.7 million in 2017-2018 and £11.6 million over the period of the Medium Term Financial Plan, or unfunded new burdens costs such as the Apprenticeship Levy; which is estimated to cost the Council approximately £0.5 million per annum (£1.0 million including schools) and the National Living Wage which is estimated to cost the Council in excess of £9.0 million over the remaining period of the Medium Term Financial Plan, £12.0 million over the period 2016-2020.

3. **Approve the revised Medium Term Financial Plan covering the period 2017-2020 detailed within Appendix 1 and the revenue budget for 2017-2018; including, the requirement to deliver budget reduction measures equating to £6.0 million in 2017-2018 and £36.0 million over the period 2017-2020. The target over the period of the Medium Term Financial Plan has reduced by £10.0 million, from £46.0 million, when compared to the figure reported to Council in February 2016. The main reasons for this reduction are: increased income from Council Tax receipts linked to economic growth and housing development in the county, and, increased income from third party loans.**

4. **Note the Government's offer of a four year funding allocation.**

5. **Note the estimated receipt of the New Homes Bonus of £6.3 million for 2017-2018 and the indicative allocation of £4.5 million by 2019-2020. Also note that the figures for 2018-2019 onwards are indicative and are subject to further Government consultation on the operation of the New Homes Bonus Scheme.**

6. **Note the estimated receipt of the non-recurrent Adult Social Care Support Grant of £1.5 million in 2017-2018 which has been funded**

nationally through savings made from the New Homes Bonus Scheme.

7. **Note the reduction in Housing Benefit Administration Grant of £0.1 million within 2017-2018 to £1.1 million.**

8. **Note the estimated reduction of the Education Services Grant in 2017-2018 of £2.43 million to £0.8 million, and, the subsequent cessation of the grant from August 2017.**

9. **Note the decision by County Council on 24 February 2016 to increase Council Tax by 1.99 per cent in 2017-2018. In line with the Government's Core Spending Power calculations, the Medium Term Financial Plan also includes an inflationary uplift in Council Tax. The uplift used in both 2018-2019 and 2019-2020 is 1.99 per cent.**

10. **Approve the use of protected Collection Fund balances of £9.6 million in 2017-2018 to support the Medium Term Financial Plan.**

11. **Accept the Government's offer to increase Council Tax by an additional 3 per cent in 2017-2018 for use on Adult Social Care services; raising an additional £4.6 million in 2017-2018, and, increasing to £12.2 million recurrently by 2019-2020. However, it is estimated that this income will reduce by up to £1.9 million over the period of the Medium Term Financial Plan 2016-2020 after the Local Council Tax Support Scheme is applied, which will need to be funded from existing budgets. Therefore, this increase will not cover the estimated cost of the introduction of the National Living Wage on all Adult Social Care contracts which is forecast to be approximately £12.0 million over the same period. In line with the Government's offer to increase Council Tax for Adult Social Care purposes the Medium Term Financial Plan also includes a 3 per cent per annum increase in 2018-2019 and no increase in 2019-2020.**

12. **Approve the revisions to the Revenues and Benefits Service Rates Relief Policy and Corporate Debt Recovery Policy in Appendix 2.**

13. **Approve the Inflation Funding Schedule highlighted in Appendix 3.**

14. **Approve the 2017-2018 budget reduction targets contained in Appendix 4 of £6.0 million and note that £36.0 million of budget reductions are required over the period of the Medium Term Financial Plan 2017-2020.**

15. **Note the Summary of the Reserves and Provisions contained within Appendix 6.**

16. **Note the overall reduction in the ring fenced Dedicated Schools Grant of £0.6 million in 2017-2018. This is a result of three schools converting to academies during 2016-2017, plus additional Early**

Years funding and the transfer of some services and funding formerly funded through the Education Services Grant.

17. **Note that rents for Council tenants are being set on the basis of the Chancellor's announcement in July 2015 - a compulsory reduction of 1 per cent per annum for four years which commenced in 2016-2017 and note from 2017-2018 this now also includes a 1 per cent reduction for supported housing which was exempt in 2016-2017, but has now been confirmed by the Department for Communities and Local Government.**

18. **Agree the Housing Revenue Account 2017-2018 budget and note the indicative 30 year Housing Revenue Account business plan as detailed within Appendix 7.**

19. **Note the original housing debt cap of £107.3 million plus the additional £2.2 million agreed in 2016-2017 for Morpeth Road will not be increased further, as there are currently no plans to develop affordable housing schemes through the Housing Revenue Account. Cabinet has already agreed to transfer the 22 Allendale properties into the Housing Revenue Account from Homes for Northumberland. This has been achieved within the current housing debt cap.**

20. **Note the 2016-2017 Capital Programme variations and approve the re-profiling of the Capital Programme of £29.5 million detailed within Appendix 8.**

21. **Approve the revised Capital Programme as detailed within Appendix 9.**

22. **Agree the approval of individual loans to third parties be delegated to the Chief Executive in conjunction with the Leader of the Council.**

23. **Agree the approval of individual projects which propose to utilise the flexibilities of capital receipts to the Chief Executive; subject to a subsequent update to the Capital Works Programme Cabinet Advisory Group.**

24. **Approve the Prudential Indicators based on the proposed Capital Programme detailed within Appendix 10.**

25. **Approve the Minimum Debt Provision Policy detailed in Appendix 11.**

26. **Approve the proposed Treasury Management Strategy detailed in Appendix 12.**

27. **Approve the Pay Policy Statement for 2017-2018 at Appendix 13.**

Key Issues

1. In February 2016, the Council approved the Medium Term Financial Plan covering the period 2016 to 2020 and two year budget for 2016-2018. It included the requirement to deliver budget reductions equating to £6.0 million in 2017-2018 and £46.0 million over the period 2017-2020.

2. This report updates the Medium Term Financial Plan position and second year of the 2016-2018 Budget following the announcement of the Autumn Statement in November 2016, and, the Provisional Local Government Finance Settlement on 15 December 2016. The final settlement is not due until February 2017 and could therefore change the position.

3. The report sets out the revised budget proposals for the second year of the 2016 to 2020 Medium Term Financial Plan (i.e. 2017-2018), including the requirement to deliver budget reductions equating to £6.0 million in 2017-2018 and £36.0 million over the period 2017-2020. The overall reduction target over the period of the Medium Term Financial Plan has reduced by £10.0 million when compared to the figure reported to Council in February 2016. The main reasons for this reduction are: increased income from Council Tax receipts linked to economic growth and housing development in the county, and, increased income from third party loans.

Report Author: Steven Mason, Chief Executive
(01670) 622929
Steven.Mason@northumberland.gov.uk

MEDIUM TERM FINANCIAL PLAN 2017-2020 AND BUDGET 2017-2018

BACKGROUND

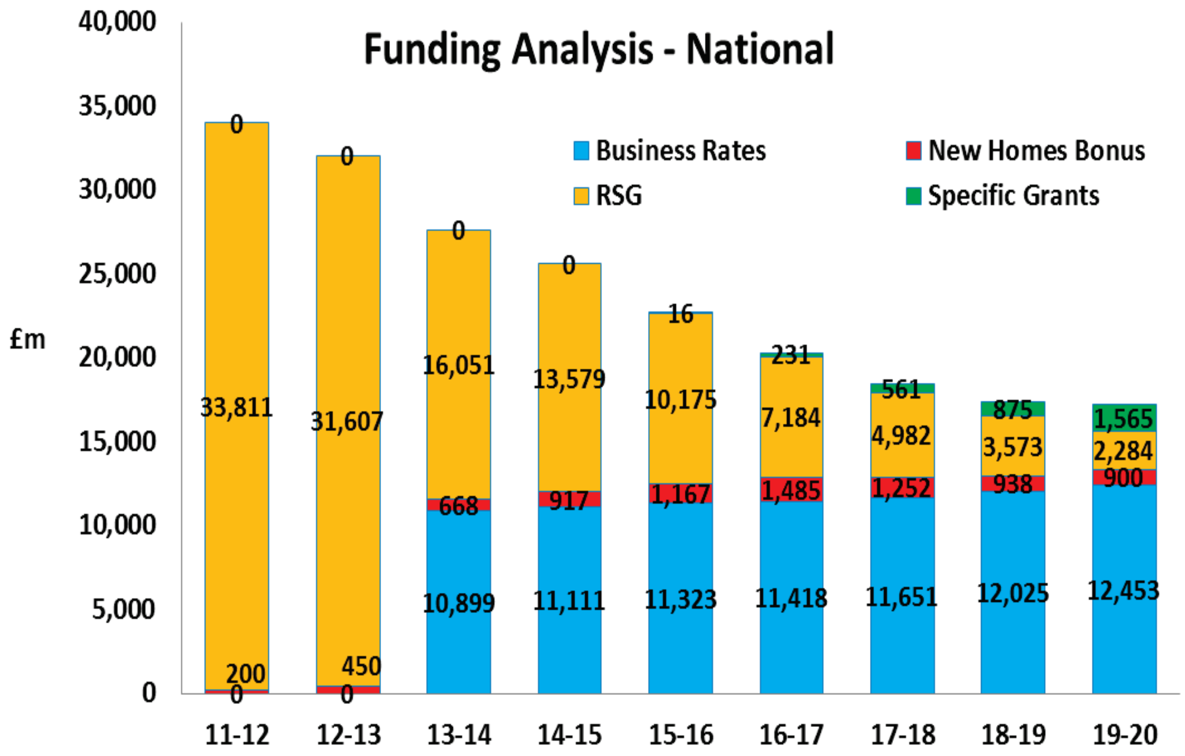
National Context

1. In recent years the Government has substantially reduced funding to Local Government in order to assist with plans to reduce national debt. This trend has continued over the period of the Medium Term Financial Plan. As part of the Chancellor of the Exchequer's July 2015 budget announcement and subsequent updates, further funding reductions of between 25 and 40 per cent for Government Departments were announced. Details of these proposals and the impact on Local Government and the Council were subsequently announced when the outcome of the Spending Review 2015 was made available on 25 November 2015, and the subsequent Local Government Finance Settlement which was announced in February 2016.

2. The December 2015 Provisional Local Government Finance Settlement offered councils the opportunity to accept a provisional four year funding settlement subject to them fulfilling the requirements to produce and publish an efficiency strategy. The offer would provide a four year funding commitment covering the Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant. This would provide greater financial stability for the County Council over the period. In theory this commitment is fixed, however, there is no guarantee that other changes will not occur outside of this offer. The four year offer does at least provide some level of certainty over future funding levels for the Council. The Council produced and published on its website an efficiency strategy and submitted a request to Government to accept the four year funding offer. Subsequently on 16 November 2016 the Council received notification from the Government that its request for the four year funding offer had been successful. Figures were published as part of the Provisional Local Government Finance settlement on 15 December 2016 and are contained within the Medium Term Financial Plan detailed in Appendix 1. Ninety seven per cent of Local Authorities accepted the Government's four year settlement offer.

3. The table below highlights the national funding reduction for Local Government from 2011-2012 including those announced as part of the Provisional Local Government Finance Settlement on 15 December 2016. The graph also highlights the change in emphasis from centrally funded resources to those that are raised locally.

Funding 2011-2012 to 2019-2020



4. The table shows that since 2011-2012 funding for Local Government has reduced nationally from £34.0 billion to £17.2 billion (49 per cent).

Provisional Local Government Financial Settlement

Core Spending Power

5. The Government announced its Provisional Local Government Finance Settlement for 2017-2018 on 15 December 2016. The settlement includes a measure called "Core Spending Power". The Core Spending Power of a Local Authority includes the Settlement Funding Assessment, Improved Better Care Fund, New Homes Bonus, Adult Social Care Support Grant, Transitional Grant and Rural Services Delivery Grant. It also includes the Government's projection of the Council Tax Requirement over the period up to 2019-2020, including an assessment of what can be raised from the additional Adult Social Care precept. This measure provides an assessment of the resources available for the whole sector and individual authorities. Each of the elements of Core Spending Power is considered within this report.

6. To give some degree of clarity and facilitate financial planning, the Government has provided the Council with a four year funding offer which in theory is fixed up to and including 2019-2020. To facilitate this offer the Council has produced and published on its web-site an efficiency plan. It is also worth reiterating that although a four year offer is on the table these figures are subject to change to take into account changes in the business

rates multiplier, changes to functions and unforeseen events. Presumably the latter is in case of change in the national economic position and the overall level of funding available to Local Government. The figures are included within the Medium Term Financial Plan, Appendix 1. **(Recommendation 4)**

7. The Core Spending Power figures indicate that the Government has made two assumptions in making its projection for the total revenue raised through Council Tax Revenue:

    - An allowance for an inflationary increase in Council Tax for the period. The figure used was 1.99 per cent; and,
    - An assumption of growth in the Tax base; estimated at 2 per cent.

8. The Core Spending Power excludes those grants that are outside the direct control of Local Authorities such as the Better Care Fund and the Public Health Grant. Table 3 below highlights Northumberland's Core Spending Power assessment in relation to the national position and the average of the seven North East Local Authorities position.

Core Spending Power Comparison

	Core Spending Power				Change in Spending Power	
Local Authority	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2017-18**	**By 2019-20**
	£000	**£000**	**£000**	**£000**	**%**	**%**
All England	43,564.20	43,068.60	43,493.80	44,678.30	(1.14)	2.56
Average of the 7 North East Councils *	224.54	221.60	224.49	230.16	(1.31)	2.50
NCC	260.94	256.50	257.90	263.98	(1.70)	1.17

* 7 North East Councils (Northumberland, Durham, Newcastle, Gateshead, North Tyneside, South Tyneside, Sunderland)

9. The table clearly demonstrates that the Government's assessment of Northumberland's Core Spending Power results in a larger reduction than both the England average and the average of the seven North East Councils in 2017-2018. In addition by 2019-2020 Northumberland's position is significantly worse than both the England average and the seven North East Councils, with growth of only 1.17 per cent, compared with 2.56 per cent for England and 2.50 per cent for the seven North East Councils.

Settlement Funding Assessment and Revenue Support Grant

10. The Settlement Funding Assessment is a combination of resources received from Revenue Support Grant and Baseline Funding (including Top up Grant). The Revenue Support Grant is the main non ring-fenced grant received from Government to fund General Fund services.

11. From 2016-2017 the methodology in determining the Settlement Funding Assessment reduction changed. Instead of a flat rate cut across all authorities, as has been done in the past, Government has taken into account the ability of each authority to raise Council Tax locally (including increases in the Tax Base, Council Tax rate and inflationary uplift). Under this methodology, where an authority has greater capacity to raise resources locally through Council Tax, Revenue Support Grant has been reduced to a greater extent. The Council lost funding as a result of this change in methodology.

12. Whilst it is appreciated that this methodology allows a fairer distribution of funding it represents a significant change to the distributional system that is already under significant pressure. In addition it penalises authorities that have been trying to increase their Tax Base under the New Homes Bonus scheme.

13. The table below shows the Settlement Funding Assessment position for Northumberland compared to England and the average of the seven North East Local Authorities position.

Settlement Funding Assessment

	Settlement Funding Assessment				**Change in SFA**	
Local Authority	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2017-18**	**By 2019-20**
	£000	**£000**	**£000**	**£000**	**%**	**%**
All England	18,601.50	16,632.40	15,598.80	14,584.30	(10.59)	(21.60)
Average of the 7 North East Councils	116.84	105.97	100.01	94.32	(9.30)	(19.27)
NCC	104.53	92.16	85.42	79.07	(11.83)	(24.36)

14. The table above clearly demonstrates that the Settlement Funding Assessment reduction for the Council is in excess of both the England average and the average of the seven North East authorities for 2017-2018 and over the period of the Medium Term Financial Plan. In comparison with the seven North East authorities, Northumberland's Settlement Funding Assessment shows the highest percentage reduction of all, further demonstrating the severity of the cuts and the impact of the new redistribution of funding methodology that has been used.

15. The table below compares the Revenue Support Grant received by Northumberland with the England average and the average of the seven North East Local Authorities.

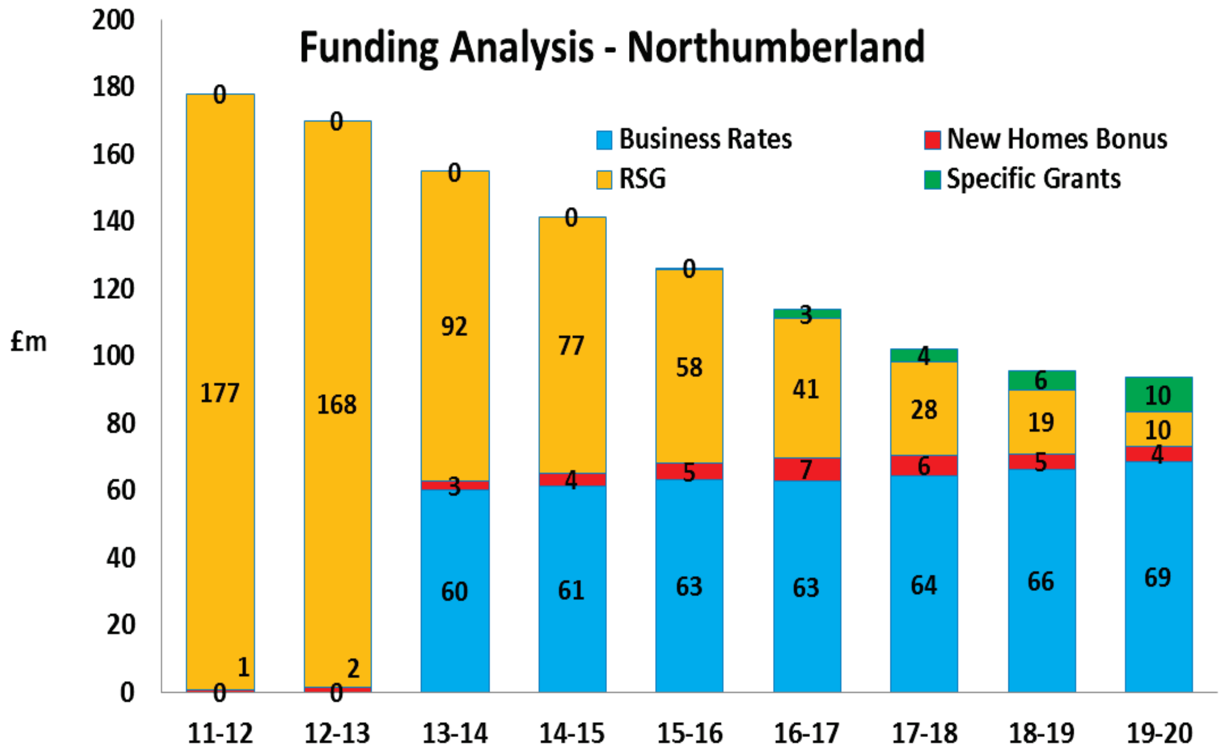
Revenue Support Grant

	Revenue Support Grant				Change in RSG	
Local Authority	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2017-18**	**By 2019-20**
	£000	**£000**	**£000**	**£000**	**%**	**%**
All England	7,183.90	4,981.79	3,573.31	2,283.95	(30.65)	(68.21)
Average of the 7 North East Councils	47.72	35.43	27.20	18.93	(25.75)	(60.33)
NCC	41.46	27.80	18.99	10.28	(32.95)	(75.21)

16. The Revenue Support Grant received in 2017-2018 of £27.8 million has reduced by £13.7 million or 32.95 per cent when compared with the value received in 2016-2017 (£41.5 million). The figures for the following two years to 2019-2020 show further significant reductions to the Revenue Support Grant. By 2019-2020 the grant shows an allocation of £10.3 million which is 75.21 per cent lower than the 2016-2017 grant. The new methodology for redistribution of Revenue Support Grant favours those authorities that have a lower Council Tax Requirement to Settlement Funding Assessment ratio. Reductions to Northumberland's Revenue Support Grant are in excess of both the England average and the average of the seven North East Councils in both 2017-2018 and by 2019-2020. Northumberland's Revenue Support Grant cut is the highest of all seven North East Councils.

17. The graph below illustrates the trend in funding reductions for the Council since 2011-2012. In 2013-2014 the funding mechanism changed for Local Government with the introduction of the Business Rates Retention Scheme.

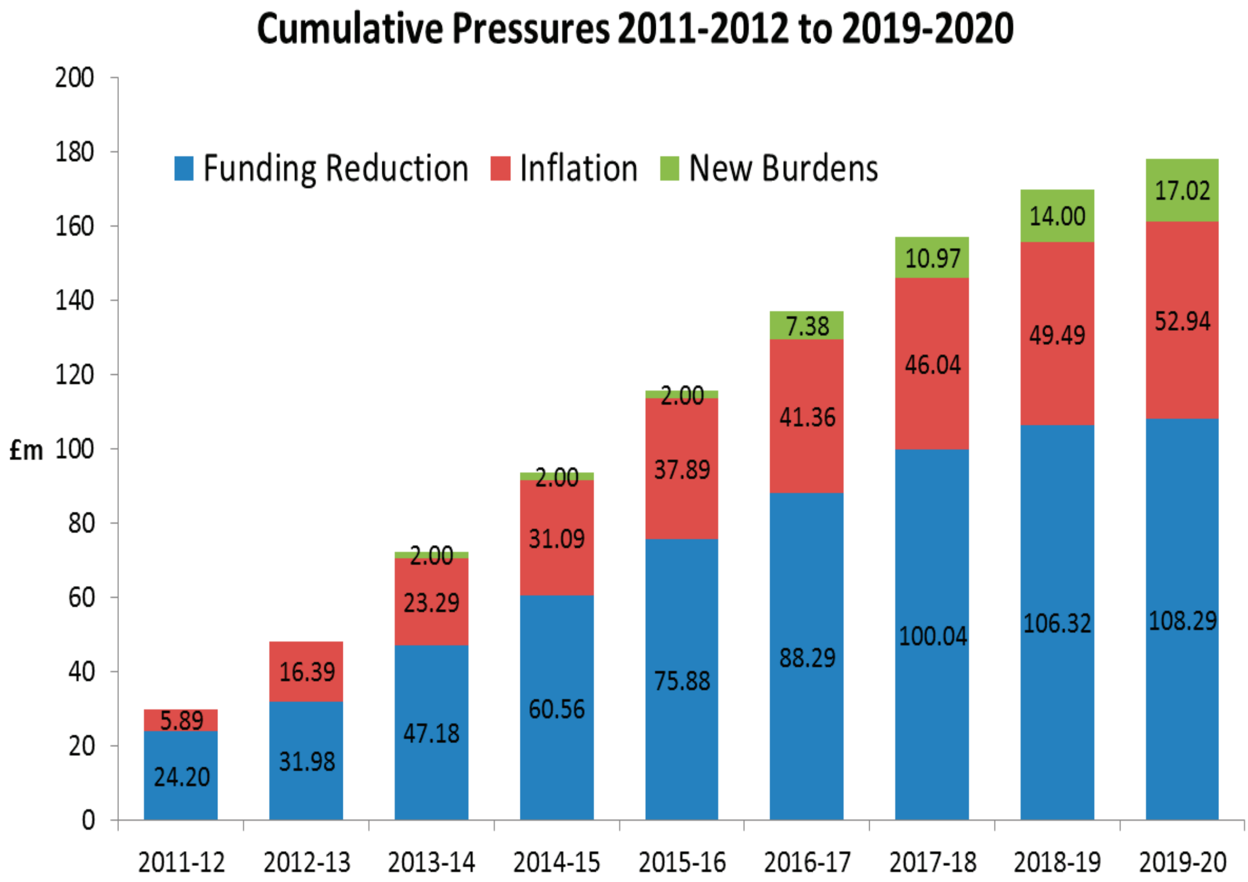
Funding Allocation Analysis for Northumberland County Council



** The graph takes no account of the additional cost associated with unfunded burdens or inflationary cost pressures. Both of these items are considered later in this report.*

18. The graph shows the overall reduction in funding available to the Council since 2011-2012. In total, funding has reduced by approximately £84.0 million or 47 per cent over the period. Of this reduction £64.0 million was in the period 2011-2012 to 2016-2017, and, £20.0 million over the period of the current Medium Term Financial Plan, 2017-2018 to 2019-2020.

19. The following graph illustrates the significant financial impact faced by the Council as a consequence of grant funding reductions, unfunded annual inflationary increases and unfunded budget pressures from 2011-2012 to the end of the current Medium Term Financial Plan. In order to accommodate these pressures the Council has had to undergo a radical transformation in the way it operates and delivers services.



20. The graph shows total cumulative unfunded pressures and lost funding of £178.3 million since 2011-2012, with £137.0 million of this in the period 2011-2012 to 2016-2017 and a further £41.3 million over the period of the current Medium Term Financial Plan (2017-2018 to 2019-2020).

Baseline Funding

21. The Government significantly altered the grant funding arrangements for councils by introducing the Business Rates Retention Scheme in 2013-2014. Under this scheme councils now retain a proportion of the Business Rates collected and are classified as either tariff or top-up authorities.

22. The Council retains fifty per cent of the Business Rates it collects and is classified as a top up authority. This means that the Council receives a top up grant over and above the fifty per cent of Business Rates retained locally which will increase the overall funding the Council is expected to receive from Business Rates to the assessed baseline level shown in the settlement funding assessment above.

23. The Council's top up payment is fixed until the Business Rates system is reset in 2020 and only uplifted annually for inflation. However, any variation in the actual level of Business Rates collected will result in a

variation from the assessed baseline funding level and a shortfall or excess in Business Rates funding.

24. There is a significant risk that Business Rates income could reduce. This was highlighted through a national pending appeal for rate relief on NHS Charitable Trusts that it is estimated could reduce the Council's net Business Rates income by approximately £5.2 million. This could increase further if the scope of the relief is extended to all NHS properties. This reduction has not yet been factored into the Medium Term Financial Plan. In addition, within Northumberland for example the potential exhaustion of opencast sites, loss of major industry and the success of appeals all have a significant impact on the net collectable rates and therefore the 50 per cent locally retained share used to underpin the overall Council budget. This makes financial planning and forecasting difficult. It is forecast that the Council's provision for Business Rate appeals will be £11.0 million by 31 March 2017 (£8.0 million at 31 March 2016).

25. The following table shows the Council's estimated value of locally retained Business Rates and top-up grant payment included in the 2017-2020 Medium Term Financial Plan:

	Estimated Retained Business Rates £m	Top Up Grant Funding £m	Total £m
2017-2018	41.0	25.8	66.8
2018-2019	44.9	26.6	71.5
2019-2020	46.5	27.5	74.0

26. These figures are subject to the risks identified above and any changes to the figures will affect the level of savings required to balance the Council's budget.

27. For the 2017-2018 financial year all Business Rates properties have been revalued. The outcome of the exercise increased the Council's rateable value from the 2010 list value of £206.0 million to £222.0 million on the 2017 list. However, the Council will not benefit from the revaluation increase. An adjustment has been made to the Business Rates Multiplier figure which negates the impact of the increase in the rateable value. Only true business rate growth will benefit local authorities.

28. The Government has concluded an initial consultation on proposals to retain 100 per cent of Business Rates by the end of the current Parliament. Running alongside this there was also an initial consultation to consider fair funding requirements for local authorities. The latter considers the funding formula that will assess each Council's individual funding needs. This will be one of the key factors that will determine how

100 per cent Business Rate retention will operate. The outcome of the fair funding consultation is unlikely to be finalised until 2018 making it impossible at this point to assess any implications for the Council.

29. Through the Business Rates Retention Scheme the Council not only faces a significant risk of reduced funding if Business Rates drop, but it also has the opportunity to increase funding by encouraging new business within the area. In most cases under the current scheme the Council will be allowed to retain 50 per cent of any new Business Rates within the area; in the case of renewable energy the Council can retain 100 per cent of Business Rates.

New Homes Bonus

30. The New Homes Bonus was first introduced in 2011-2012. For each newly built house or conversion the Council receives a reward of the national average Council Tax for the relevant band. Long-term empty properties which have been brought back into use have also been included in the reward and there is a premium for affordable homes. The scheme originally paid grant for six years.

31. There have been changes made to the scheme from 2017-2018 following the outcome of a recent consultation “New Homes Bonus: Sharpening the Incentives”. These include:

   - A move to 5 year payments for both existing and future New Homes Bonus allocation in 2017-2018 and then to 4 years from 2018-2019;
   - The introduction of a national baseline of 0.4 per cent for 2017-2018, below which allocations will not be made;
   - The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth;
   - It will not introduce the proposals to withhold payments for areas without a local plan in 2017-2018; however, it will revisit this issue for 2018-2019.

32. Nationally, payments were approximately £1.49 billion by 2016-2017, with £1.30 billion of this being top-sliced from the Local Government Settlement funding and the remainder provided by the Department for Communities and Local Government. However, following changes implemented by the consultation, the national allocation is forecast to be approximately £1.25 billion by 2017-2018, a reduction of £241.0 million. The £241.0 million has been used to fund a new grant covered elsewhere in this report: the Adult Social Care Support Grant.

33. New Homes Bonus allocations for 2017-2018 included within the Medium Term Financial Plan at Appendix 1 take into account the outcome of the

consultation. Those figures shown within the Medium Term Financial Plan for 2018-2019 and 2019-2020 are indicative and will be reliant on any further changes to the scheme and growth locally.

34. The Council will receive New Homes Bonus grant funding of approximately £6.3 million in 2017-2018, reducing to approximately £4.5 million by 2019-2020 as a direct result of the top slice in funding which will be utilised by the Government to fund the Improved Better Care Fund grant and the outcome of the recent consultation exercise. The funding supports the overall budget of the Council.

Adult Social Care Support Grant

35. This is a new funding stream announced by the Government for 2017-2018. Nationally £241.0 million has been made available. Funding for this has been taken from the previously announced New Homes Bonus allocation. Funding has been allocated based on the adult social care relative needs formula and is a non-recurrent grant in 2017-2018. The Council will receive £1.5 million. The funding is not ring fenced but is intended to help fund pressures within the Adult Social Care area.

Specific Grants (excluded from Core Spending Power)

Council Tax Support and Housing Benefit Administration Grant

36. The Provisional Local Government Finance Settlement confirmed the Council will receive a grant of £1.1 million in 2017-2018 for Housing Benefit Administration. This allocation has reduced by £0.1 million when compared with 2016-2017. To date there has been no announcement in relation to the Council Tax Support element. The budget for 2017-2018 has been aligned with the funding allocation received in 2016-2017. The revised allocation has been included within the Council's Medium Term Financial Plan.

Education Services Grant

37. The Education Services Grant in 2016-2017 was £3.23 million and was previously made up of two rates:

- The retained duties rate which was allocated to local authorities to fund services they provide to all schools, including academies; and,
- The general duties rate which was allocated to both local authorities and academies to fund services authorities provide to maintained schools, but which academies must provide themselves.

38. For 2017-2018, the general duties rate is ending in August 2017 and the Council expects to receive funding of £0.8 million. A reduction of £2.43 million when compared to 2016-2017. The revised grant is reflected in the Medium Term Financial Plan in Appendix 1. In addition, £0.6 million

previously allocated through the Education Services Grant retained duties rate will be transferred to the schools block of the Dedicated Schools Grant to fund those statutory services that will remain the responsibility of the Council.

Council Tax

39. At County Council on 24 February 2016 it was agreed that Council Tax would be increased in both 2016-2017 and 2017-2018 by 1.99 per cent. A further report seeking confirmation of the 2017-2018 increase and its implications for each of the bands will be presented to Council in February 2017. The budget proposals for 2017-2018 contained within this report are based on the assumption that the Council will agree to increase the Council Tax by 1.99 per cent. This increase provides additional funding of approximately £2.9 million per annum and helps reduce the value of savings required to balance the budget to the levels shown within the Medium Term Financial Plan. It is also worth highlighting that the Government's Core Spending Power calculation assumes that the Council will apply an inflationary uplift to Council Tax each year and that growth is made in the Council Tax Base figure. **(Recommendation 9)**

40. The Government has stated that any council wishing to increase Council Tax beyond 2 per cent in 2017-2018 would require a referendum. A referendum would cost the Council approximately £0.5 million which would negate potential increased revenue, and would not be certain to be approved. There will be no referendum limits for larger parish councils.

41. The provision for non-collection of Council Tax was reduced to 1.2 per cent for 2017-2018 following a review of actual collection rates. It is forecast that the Council's share of the Collection Fund will generate a surplus of approximately £9.8 million by 31 March 2017. It is recommended that £9.6 million is utilised to support the Council's budget in 2017-2018. **(Recommendation 10)**

42. The Spending Review 2015 introduced the adult social care precept. In order to deal with pressures in Adult Social Care services the Government allowed all local authorities to increase Council Tax by up to an additional 2 per cent per annum up to 2019-2020. The total funding raised through this precept needs to be spent entirely on Adult Social Care services.

43. However, the Provisional Local Government Finance Settlement announced by the Government on 15 December 2016 changed the parameters and allowed local authorities to accelerate the 6 per cent increase for the Adult Social Care precept. An increase of up to 3 per cent in 2017-2018 and up to 3 per cent in 2018-2019 could be set, with no more than a 6 per cent increase over the period 2017-2020.

44. It is proposed to increase Council Tax by 3 per cent in both 2017-2018 and 2018-2019 with no increase in 2019-2020. It is estimated, based on our own calculations, that this would generate approximately £4.6 million additional funding in 2017-2018 and £12.2 million over the full period of the 2016-2020 Medium Term Financial Plan. It should also be noted that the Government's Spending Power figures quoted earlier in this report, and the determination of the Improved Better Care Funding Grant, assume that Local Authorities will increase Council Tax each year.

45. The Council's Medium Term Financial Plan included at Appendix 1 assumes that a 3 per cent increase is applied in 2017-2018. In 2017-2018 this would result in a Band D increase of £44.54 per annum (£28.55 in 2016-2017) and by 2019-2020 would add a total of £119.83 per annum (including the 2016-2017 increase) to a Band D property. It is proposed that Council Tax is increased for the Adult Social Care precept by 3 per cent in 2017-2018. Also note that in line with the Government's offer to increase Council Tax for the Adult Social Care precept the Medium Term Financial Plan also includes increases of 3 per cent in 2018-2019 with no increase in 2019-2020. **(Recommendation 11)**.

46. It has been necessary to amend the Revenues and Benefit Service Rates Relief Policy so that Leisure Centres operated by a Charitable Trust will no longer benefit from discretionary relief as a top up to the 80 per cent mandatory relief. Granting top up discretionary relief to Charitable Trusts of Leisure Centres can give those organisations a competitive advantage over those leisure/gym providers who do not qualify for relief therefore it is not in the interest of council tax payers to grant relief. These organisations will still be eligible to receive 80 per cent mandatory relief.

47. The Corporate Debt Recovery Policy has also had minor amendments made. The overall aims and scope of the Policy remain unchanged but the following appendices have had minor amendments as follows:

    - Annex A - Council Tax and National Non-Domestic Rates Recovery Policy has been amended to include Pension Credit or Universal Credit as deductible benefits for council tax recovery purposes.
    - Annex B - Council Tax and National Non-Domestic Rates Court Costs and Fees Policy has been amended to show the reduced cost for Online Land Registry Registration applications.
    - Annex C – Housing Benefit and Council Tax Benefit/Support Overpayments Recovery Policy has been amended to clarify procedure.
    - Annex F – Sundry Debt Policy 6 has had updated website addresses inserted.

48. All other Revenues and Benefits policies will remain unchanged for 2017-2018. The policies contained within Appendix 2 of this report are recommended for approval. **(Recommendation 12)**.

Demand for Services

49. In addition to receiving a real cash decrease of 11.8 per cent in the Settlement Funding Assessment in 2017-2018 and the changes to other grants detailed within the report, the Council, like many others, comes under increasing pressure to provide or enable essential statutory services. This is particularly evident within Children's and Adult Social Care services where demand for the provision of care and support for Looked After Children and Adults with complex needs and an aging population continues to grow. This adds significantly to the budgetary pressures faced by the Council which are not fully evident within the spending power calculation. The Council has set aside £2.5 million within the base budget in 2017-2018 to address pressures within Children's social care.

50. The Government's offer to add up to 6 per cent Adult Social Care Precept to Council Tax levels over the three years to address pressures in relation to Adult Social Care services appears to have provided some additional funding in this area. However, within the Chancellor's July 2015 budget, measures were put in place to introduce a National Living Wage from April 2016. This has a significant financial impact on Adult Social Care contracts as wage increases are often passed onto Local Authorities through contract prices. The additional cost of the National Living Wage on Adult Social Care contracts is estimated to be approximately £12.0 million over the period of the Medium Term Financial Plan 2016-2020. The additional Adult Social Care Council Tax precept over the same period will raise approximately £12.2 million gross income. However, this will reduce after taking into account the estimated impact of Local Council Tax Support by 2019-2020 by approximately £1.9 million, leaving this to be funded from existing budgets. Furthermore, inflationary pressures within Adult Service amount to approximately £0.6 million per annum, meaning that the Adult Social Care precept does not cover the cost of the living wage increase and inflationary pressures.

51. The Improved Better Care Fund Grant is welcomed to help address some of the financial pressures faced by the Council, including those in Adult Social Care. However, no significant Better Care Funding will be received by the Council until 2018-2019 and is recycled New Homes Bonus funding and Revenue Support Grant. An additional one off Adult Social Care Support Grant of £1.5 million has been allocated by the Government in 2017-2018 to help with these demand pressures. However, this is insufficient, non-recurrent and is recycled New Homes Bonus funding. Demand pressures within Adult Social Care Services are a real issue for the Council.

52. There has been no recognition within the Provisional Local Government Finance Settlement of the pressures faced within Children's Services; significant financial pressures within this area continue to be met from existing budgets. The Council has set aside £2.5 million in 2017-2018 to address pressures within this area.

EXPENDITURE

Inflation

53. Inflation is detailed within Appendix 3 and includes the costs associated with incremental drift, non-pay inflation, the pay award and increase in pension costs. Total inflation equates to £4.7 million for 2017-2018 and £11.6 million over the three year period. The finance settlement from Government makes no additional allowance for this increased cost pressure, therefore the Council is required to meet this commitment. **(Recommendation 13)**

Unfunded New Burdens

54. The Government's budget announcement in July 2015 also introduced a number of unfunded new burdens which have significantly increased cost pressures for the Council, including the Apprenticeship Levy in 2017-2018 which will add approximately £0.5 million per annum to the Council's revenue budget (£1.0 million including schools). This area has been included within the Council's revised 2017-2018 budget and revised Medium Term Financial Plan 2017-2020 shown at Appendix 1.

Budget Reduction

55. County Council approved the 2017-2018 budget reductions target of £6.0 million at its meeting on 24 February 2016. Following the update to the Council's Medium Term Financial Plan which is contained within Appendix 1 this target remains unchanged. Appendix 4 contains detailed proposals to the 2017-2018 targets. The level of budget reductions over the period of the Medium Term Financial Plan (2017-2020) is now £36.0 million. The overall reduction target over the period of the Medium Term Financial Plan has reduced by £10.0 million when compared to the figure reported to Council in February 2016. The main reasons for this reduction are; increased income from Council Tax receipts linked to economic growth and housing development in the county, and, increased income from third party loans. It is recommended that the 2017-2018 budget reductions of £6.0 million detailed in Appendix 4 are approved. **(Recommendation 14)**

56. The schedule of budget reductions contained in Appendix 4 has been agreed by the individual Cabinet Members. Any savings that are considered to represent a risk will be subject to a separate comprehensive risk appraisal process. The risk appraisal process will continue up to the County Council decisions and beyond as individual budget reduction measures are implemented.

57. In addition, the potential impact of the proposed budget reductions on the Council's public sector equality duties has been considered by officers in each Group, and where screening identifies a need, detailed equality impact assessments have been carried out on the proposals. In some cases these are provisional, and will be reviewed before final decisions are made to implement these proposals - if this process makes it clear that there are unacceptable equality impacts which cannot be mitigated by adjustments within the proposal itself, initially the relevant Director will be expected to find alternative compensating savings which they will agree with their relevant Cabinet Member. The Deputy Chief Executive has prepared a draft assessment of the overall equality impact of the budget proposals, shown at Appendix 5, which will be updated further as the budget process continues. Equality impacts will be further considered and subject to a comprehensive risk appraisal process.

58. A number of the proposals will require active management and each Director/Head of Service will be responsible for their successful delivery.

59. If a proposal cannot be implemented either partially or in full the relevant Director will be expected to find alternative compensating savings which they will agree with their relevant Cabinet Member. These proposals would then be formally considered by Cabinet.

Summary

60. The revised financial position of the Council over the period 2017-2020 is detailed within Appendix 1.

61. This shows a significant reduction in Settlement Funding Assessment and Revenue Support Grant available to the Council over the period of the Medium Term Financial Plan. In addition, the Government's forecast growth in Core Spending Power is significantly less than the England average and that of the other six North East Councils. It also highlights the greater reliance now placed on locally generated income streams such as the retained share of Business Rates, Council Tax and New Homes Bonus.

62. It is recommended that the Council approves Appendices 1, 3 and 4 containing the revised revenue assumptions in respect of the Budget 2017-2018.

RESERVES AND PROVISIONS

63. The Council has a number of reserves and provisions set aside for specific purposes and to meet potential significant general unforeseen costs. A report was taken to Risk Appraisal Panel on 7 January 2016 which set out the Council's approach to the management and utilisation of these balances. The policy is consistent with legislation and best practice.

Reserves

64. There are two categories of reserves; unusable and usable. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves cannot be used for any other purpose and are therefore not considered as part of this report. Usable reserves are split between those that are earmarked for known or predicted purposes, such as section 106 developer contributions, and those of a general nature which are available to fund unforeseen costs, smooth cash flow and prevent unnecessary temporary borrowing. A schedule of all usable reserves is detailed at Appendix 6.

65. A review of all usable reserves has recently been undertaken to ensure they are still required and are at an appropriate level. Appendix 6 details the outcome of the review.

66. Given the Government's on-going austerity measures, financial resources are stretched and there is a real risk that the Council may be unable to meet any significant unforeseen cost pressures. There is also a high level of risk associated with Business Rates income which was covered earlier in this report. It is therefore essential that the Council continues to maintain an adequate level of general reserves to fund such unforeseen events. An annual review of the reserves will continue to be undertaken to ensure reserve levels are appropriate to risks in line with legislative and best practice requirements.

67. The schedule of reserves contained within Appendix 6 demonstrates that the financial standing of the Council is strong and therefore the Council is able to withstand a significant revenue shock.

68. The financial outlook of the Council is however very challenging given the Government's intention to reduce public sector expenditure and its recent policies which have moved financial and operational risk to Councils.

69. Part two of the Local Government Act 2003 comprises a set of duties and powers that gives statutory support to important aspects of good financial practice in Local Government.

70. Section 25 requires the Chief Financial Officer (also referred to as Section 151 Officer) to report to an Authority when it is making the statutory calculations required to determine its Council Tax or Precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included within the budget and the adequacy of the reserves for which the budget provides.

71. The Chief Executive (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge.

Provisions

72. The Council maintains a number of provisions which are detailed in Appendix 6. Provisions are set aside for specific purposes and there are prescribed criteria which are set out in International Accounting Standard 37 (IAS37), which must be satisfied before a provision can be created. Provisions are checked annually by the Council's external auditors as part of the final accounts process to ensure they comply with the requirements of IAS37. It is essential that the Council provides for these items when the criteria set out in IAS37 is met to prevent unbudgeted charges to the general fund. There is a requirement to review all provisions annually to ensure they are still relevant for purpose and satisfy the requirements of IAS37. A review of all provisions has recently been undertaken. Appendix 6 details the outcome of the review. **(Recommendation 15)**

SCHOOL FUNDING

73. The Dedicated Schools Grant is a ring fenced grant from the Department for Education to be spent on the education of pupils both in and out of school. The overall grant funding has decreased by £0.6 million from the 2016-2017 allocation to £161.7 million. This is as a result of three schools converting to academies during 2016-2017; plus, additional Early Years funding and the transfer of funding for services previously funded through the Education Services Grant.

74. The Dedicated Schools Grant for 2017-2018 has been realigned by the Council in agreement with the Department for Education to reflect current spending patterns across all blocks. The Dedicated Schools Grant is divided into three notional blocks:

    - Schools Block
    - High Needs Block
    - Early Years Block

75. Virement between the 3 notional blocks is possible by the local authority.

76. The Schools Block is in two parts:

    - The Individual Schools Budgets - Each school's Individual Schools Budget is calculated using the funding formula already approved by the Cabinet.
    - Central schools block – This block is used to meet the cost of statutory services provided to all schools including Academies. These services were previously funded through the Education Services Grant which will come to an end in 2017-2018 as the funding transfers into the Dedicated Schools Grant.

77. The High Needs Block will include funding for the additional needs of Post 16 students in FE Colleges and establishments.

78. The Early Years Block includes funding for 2 year old provision for the 40 per cent most disadvantaged pupils.

79. As a result of the rebasing of the grant for 2017-2018, there is very little remaining discretion for the allocation of the remainder of Dedicated Schools Grant after school budget shares have been calculated. This will now be done by the Director of Education and Skills in line with the requirements of the new funding regime in consultation with the Schools' Forum.

80. The Dedicated Schools Grant is currently predicted to overspend by £2.2 million in the financial year 2016-2017 predominantly because of School Closures/Academy conversions and budget pressures within High Needs. It is proposed to recover the deficit and create a sustainable budget by moving non-statutory services to 100 per cent Service Level Agreement from September 2017 with schools and academies.

HOUSING REVENUE ACCOUNT

81. The Housing Revenue Account is a separate landlord account that reflects revenue expenditure and income relating to the Council's own housing stock. Under powers enacted under the Localism Act 2011, the previous Housing Revenue Account Subsidy system was abolished from 1 April 2012 and councils must now operate the Housing Revenue Account on a self-financing basis.

82. A new regulation introduced as part of the Housing Revenue Account self-financing arrangements is the setting of a debt "cap" for Housing Revenue Account borrowing. Once the cap has been reached, no further borrowing can be undertaken until existing debt/loans have been repaid. The original debt cap of £107.3 million was higher than existing borrowing therefore allowing borrowing headroom to finance capital investment in the Affordable Homes Programme which will be completed by March 2017.

83. Since 2001 rents for social housing (social rents) have been agreed based on a formula set by Government. In July 2015, the Chancellor announced that all social housing rents should be decreased by 1 per cent for the next 4 years commencing in 2016-2017. This will result in an average 12 per cent reduction in rents by 2020-2021 compared with current forecasts (nationally) and 'will allow social landlords to play their part in reducing the welfare bill'. This change in policy has resulted in increased pressure on the Housing Revenue Account.

84. The Affordable Homes Programme utilising the original borrowing headroom is close to completion and the additional scheme funded by the Department for Communities and Local Government Local Growth Fund for £2.2 million; Morpeth Road, Blyth is scheduled to be complete by the end of March 2017. This increased the debt cap figure from £107.3 million to £109.5 million. The actual debt figure is currently £107.7 million, leaving a maximum of £1.8 million for future borrowing.

85. It has recently been announced by the Department for Communities and Local Government that the stock valuation method of Existing Use Value for Social Housing should be amended from 1 April 2016 to 44 per cent in place of the current valuation of 37 per cent. This increases the valuation of the Housing Revenue Account Social Rent Housing Stock by £55 million. This results in approximately an additional £1.5 million being charged as depreciation per annum which will transfer into the Major Repairs reserves and can be used to either repay debt or increase the expenditure for the capital programme. The additional depreciation charge has put an additional pressure on the Housing Revenue Account revenue budget and is included within the assumptions for future years' budgets.

86. Currently within the existing 30 Year Business Plan and in line with a decision made as part of the 2016-2017 budget process, there is no provision to repay any of the existing loans.

87. In 2017-2018 an allocation has been made from the Investment Reserve of £0.3 million to match fund a grant from the Homes and Communities Agency for Buy to let properties to bring unused homes back into use.

88. In addition to the rent changes, the Housing and Planning Act includes proposals to sell off higher value Local Authority housing as a means to fund the voluntary agreement extending the Right to Buy to housing association tenants. Details of how this will be implemented from 2018-2019 are awaited. There has been no allocation for this within the Medium Term Financial Plan.

89. The proposed 2017-2018 Housing Revenue Account budget and Medium Term Financial Plan 2017-2022 is attached at Appendix 7. An indicative 30 year business plan, showing the projected position at five yearly intervals, is also included for information.

90. The Cabinet is requested to:

- note the rent decrease required under the Government's proposed changes to the rent policy for supported housing **(Recommendation 17)**; and
- endorse the 2017-2018 Housing Revenue Account budget **(Recommendation 18)**; and,
- note that the revised Housing cap will not be increased as there are no current plans to deliver an Affordable Housing programme through the Housing Revenue Account. **(Recommendation 19)**

CAPITAL EXPENDITURE

2016-2017 Capital Programme variations

91. The Council updates its Medium Term Financial Plan on an annual basis and as part of this process approved a capital budget at the full Council meeting on 24 February 2016.

92. Following an in-year review by the Head of Property Services and Capital Programming the original 2016-2017 capital budget was amended by £51.1 million to reflect the anticipated outturn at that time with the revision reported to Corporate Performance and Overview Scrutiny Committee at its meeting in October 2016. Since then a number of further amendments are required to be made to the capital programme which are detailed in Appendix 8. A report detailing these amendments was submitted to the Corporate Performance and Overview Scrutiny Committee in December 2016.

93. Appendix 8 also shows the current forecast outturn variance by service area in relation to the capital programme at 31 October 2016 as £17.9 million. This is represented by a forecast overspend of £1.4 million and further re-profiling of £29.5 million being required. It is recommended that this re-profiling is approved. **(Recommendation 20)**

Capital Programme 2017-2020

94. There is a revised Capital Programme covering the period 2017-2020 within Appendix 9. The inclusion in the programme signifies approval in principle but each individual scheme will be subject to business case approval in line with the Council's Constitution.

95. A number of schemes have been included in the Programme on an "Invest to Save" basis which means that the revenue savings arising from the proposal are expected to cover the full costs of capital; i.e. Minimum Revenue Provision and associated interest costs.

96. A number of schemes included in the Programme are targeted at economic growth and regeneration opportunities within Northumberland. This approach is intended to counter the impact associated with the Government's approach to Local Government funding and the Welfare Reform agenda. It is recognised that there are risks associated with this as the Council will incur the revenue costs associated with these proposals and the hoped-for economic benefits will not be certain.

97. The programme is largely based on that agreed in February 2016 but adjusted to reflect:

    a) updated re-profiling estimates from 2016-2017 of £52.9 million (previously £51.1 million);

b) further proposed re-profiling/transfers from 2017-2018 to 2018-2019 of £53.7 million;

c) additional grant award allocations from external bodies, including Department of Transport and Department for Education etc; and,

d) Revised or new funding requirements for projects agreed during the year by members via the Capital Works Programme Advisory Group, as well as a number of other newly identified commitments including:

- Provision of new leisure centre facilities at Berwick, Blyth and Morpeth (£9.6 million 2017-2018/£59.1million in total);
- Amended requirements for Ponteland and Morpeth school reorganisations (£29.7 million 2017-2018/£104.7 million in total – previously £15.9 million for 2017-2018/£108.0 million in total);
- Provision of multi-storey car parks in Cramlington, Hexham and Morpeth (£20.0 million 2017-2018/£30.0 million in total);
- Increased provision for loans to thirds parties to £150.0 million per annum (previously £30.0 million);
- Contribution towards the Alnwick Garden Project (£8.5 million);
- Contribution towards Kirkley Hall Training Hotel (£1.5 million 2017-2018/£3.0 million in total);
- Support for the Ponteland/Dissington Garden Village project, which will ultimately be recovered by future Section 106 contributions. (£10.2 million 2017-2018/£40.6 million in total).

98. The original programme in respect of 2017-2018 equated to £232.2 million compared to a revised programme of £381.5 million as set out below:

	General Fund	**HRA**	**Total**
	£m	**£m**	**£m**
Original Programme	215.0	17.2	232.2
Revised Programme	371.1	10.4	381.5
Increase	**156.1**	**(6.8)**	**149.3**
Change met by:			
Re-profiled resources from 2016-2017	52.2	0.7	52.9
Re-profiled resources 2017-2018 to 2018-2019	(53.7)	0.0	(53.7)
Re-profiled resources 2017-2018 to 2019-2020	(2.5)	0.0	(2.5)

	General Fund	HRA	Total
Additional revenue cost neutral, invest to save schemes	101.5	0.0	101.5
Additional Grant	15.4	(0.3)	15.1
Additional Council Contributions	43.2	(7.2)	36.0
Total Decrease	**156.1**	**(6.8)**	**(149.3)**

99. Cabinet is recommended to approve the revised Capital Programme as detailed within Appendix 9 as a basis for consultation. **(Recommendation 21)**

100. As highlighted above, the programme also includes a provision of £150.0 million per annum for loans to third parties (for capital purposes). It is proposed that approval of individual loan facilities within this provision is delegated to the Chief Executive in conjunction with the Leader of the Council. **(Recommendation 22)**

HRA Capital Programme

101. The business case demonstrates potential capital expenditure over the Medium Term Financial Plan of up to £25.4 million which is included in Appendix 9.

Flexible Use of Capital Receipts

102. As part of the Local Government Settlement for 2016-2017, Government announced greater flexibility for councils in how they make use of capital receipts - the money received when an asset is sold. Councils currently are only allowed to spend this money on further capital projects, or set aside the money for the repayment of debt. However, the Government has announced that councils are to have greater flexibility regarding how they spend this money for the years 2016-2017 to 2018-2019.

103. The new flexibilities enable councils to use income from the sale of certain assets to fund the short-term revenue costs that support qualifying invest-to-save and efficiency projects in order to provide revenue savings in the future.

104. Qualifying expenditure under the guidance is defined as: "Expenditure on any project that is designed to generate on-going revenue savings in the delivery of services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demands for services in future years for any of the public sector delivery partners."

105. It is proposed that the Council utilises this flexibility for up to £0.5 million of capital receipts in 2017-2018 and 2018-2019 (£1.0 million in total) on qualifying projects. It is proposed that approval of individual projects within these allocations is delegated to the Chief Executive, subject to a

subsequent update to the Capital Works Programme Cabinet Advisory Group. **(Recommendation 23)**

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

Prudential Borrowing Indicators

107. As a result of the revisions to the Capital Programme the Prudential Borrowing Indicators have been updated for the next three years. This demonstrates an increased charge to Council Tax on Band D Properties of £165.71 over the period up to and including 2020. It should be noted that this figure reflects the incremental charge to Council Tax for total borrowing within the programme - i.e. based on a total programme of £381.5 million for 2017-2018 and £1,160.9 million over the three year period to 2019-2020. Prudential Indicators are detailed within Appendix 10. **(Recommendation 24)**

Minimum Revenue Provision Policy Statement

108. The proposed policy enclosed as Appendix 11 has been updated to reflect changes in the capital programme highlighted above.

109. Cabinet is requested to endorse the Minimum Debt Provision Policy and recommend its approval to the County Council. **(Recommendation 25)**

TREASURY MANAGEMENT

110. The proposed Treasury Management Strategy for 2017-2018 is attached at Appendix 12. The report will also be considered by the Audit Committee on 25 January 2017. Any subsequent amendments following Audit Committee will be updated for the final report to the County Council in February.

111. Cabinet is requested to endorse the proposed Treasury Management Strategy included at Appendix 12 and recommend its approval to the County Council. **(Recommendation 26)**

PAY POLICY

112. The Localism Act 2011 requires the County Council to prepare and publish a Pay Policy Statement. The purpose of such a statement is to articulate the Council's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. The Council also wishes to ensure that it operates on the principles of equal pay for work of equal value, and also within the various other legislative requirements, including the Equality Act 2010.

113. The statement is reviewed annually and takes into account the guidance on openness issued by the Secretary of State for Communities and Local Government.

114. The statement for the financial year 2017-2018 is shown at Appendix 13. The Cabinet is recommended to approve the statement **(Recommendation 27)** which will then be published on the Council's website.

115. An Equality Impact Statement has also been prepared and is shown at Appendix 14.

116. The Public Sector Exit Payment Regulations 2016 with Regulations to follow are expected to come in to force from October 2017. These will see the introduction of a £95,000 cap on the total value of exit payments as envisaged in the Enterprise Bill 2015-2016.

     The payments that are likely to be included are:

     - Redundancy payments
     - Payments on voluntary exits
     - Strain on the pension fund costs
     - Severance or ex gratia payments
     - Payments or compensation in lieu of notice and payments relating to the cashing up of outstanding entitlements (such as outstanding leave or allowances that are cashed up and added to the value of the sum)
     - Share or share options

117. The draft regulations also include a general provision of any other payment made as a consequence of, in relation to or conditional on loss of employment whether under a contract of employment or otherwise. The regulations are expected to include a power for Full Council to waive the cap in relation to payments made.

118. The Small Business, Enterprise and Employment Act was passed in 2015 and since the last Pay Policy Statement it has been brought into force,

with Regulations to follow that deal with the legal requirement for individuals to repay “prescribed” public sector exit payments if they are re-employed in the same public sector area within one year.

119. Following further consultation by the Government further reforms are now proposed to exit payments which includes:

- Setting the maximum tariff for calculating exit payments at three weeks’ pay per year of service.
- Capping the maximum number of months’ salary that can be used when calculating redundancy payments to 15 months.
- Setting a maximum salary for the calculation of exit payments.
- Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age of the Local Government Pension Scheme.
- Reducing the cost of employer-funded pension top up payments; such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and/or increasing the minimum age at which an employee is able to receive an employer funded pension top up. The latter would link the minimum age more closely with the Local Government Pension Scheme Pension Age.

120. When the regulations have been received the Director of Human Resources will produce a report for the Staff and Appointments Committee for consideration and recommendation to Full Council.

BACKGROUND PAPERS:

7 January 2016 Report to Risk Appraisal Panel; Review of Council Reserves and Provisions and revised 2015-2016 and 2016-2017 Treasury Management Strategy, incorporating revisions to the Minimum Revenue Provision.

22 February 2016; Report to Cabinet; Medium Term Financial Plan 2016-2020 and the Budget 2016-2020

24 February 2016; Report to County Council; Update to Medium Term Financial Plan 2016-2020 and Budget 2016-2018

15 December 2016; Report to Corporate Performance Overview and Scrutiny Committee; Capital Monitoring Position - 1 April 2016 to 31 October 2016.

25 January 2017; Report to Audit Committee; 2017 Treasury Management Strategy Statement for the Financial year 2017-2018.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	This is the second year of the Medium Term Financial Plan 2016-2020. The plan supports both the Community Strategy and Corporate Plan.
Finance and value for money:	The Council remains under significant financial pressure. The financial implications of the 2017-2018 budget and the Medium Term Financial Plan are detailed within this report. 2018-2019 and beyond will continue to be challenging.
Human Resources:	The size of the financial challenge will have a detrimental impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property:	A significant proportion of the capital programme refers to property and assets. The estates rationalisation plan has now been implemented and is on-going.
Equalities: (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	The Deputy Chief Executive has prepared an overarching equality review, which identifies the main issues which need to be considered in setting the budget. Cabinet will be asked to consider changing the budget proposals should it at a later stage prove not to be possible to mitigate an unacceptable equality impact. The Council Tax Support Scheme remains unchanged and has previously been subject to an Equality Impact Assessment.
Risk Assessment:	The risks associated with the budget proposals are regarded as acceptable but these risks will continue to be reviewed up to and including implementation of the detailed proposals.

Carbon Reduction:	The budget makes financial provision for the carbon taxes levied by the Government and the Council is implementing as well as developing a number of invest to save proposals concerning the management of energy.
Crime & Disorder:	This report has given careful consideration to Section 17 of the Crime & Disorder Act 1998 and the duty it imposes.
Customer Considerations:	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.
Consultation:	The budget report has been consulted upon by the Area Committees and has been subject to a review by the Corporate Resources and Regional Affairs Overview & Scrutiny Committee. On 24 February County Council considered the first draft of the 2016-2018 Budget and Medium Term Financial Plan; and this meeting will consider the views of Scrutiny before making final recommendations to the County Council.
Wards:	All wards.

List of Appendices

Appendix 1	Revenue Medium Term Financial Plan 2017-2020
Appendix 2	Revised Revenues and Benefits Policies
Appendix 3	Inflation Schedule 2017-2018
Appendix 4	Schedule of Efficiencies 2017-2018
Appendix 5	Corporate Equality Impact Assessment
Appendix 6	Schedule of Reserves and Provisions
Appendix 7	Housing Revenue Account
Appendix 8	2016-2017 Capital Programme Variations
Appendix 9	Capital Programme
Appendix 10	Prudential Borrowing Indicators
Appendix 11	Minimum Revenue Provision Policy Statement
Appendix 12	Treasury Management Strategy 2017-2018
Appendix 13	Pay Policy Statement 2017-2018
Appendix 14	Pay Policy Statement Equality Impact Assessment 2017-2018

Report sign off.

	initials
Finance Officer	AE
Monitoring Officer/Legal	LH
Human Resources	KA
Procurement	n/a
I.T.	n/a
Chief Executive	SM
Portfolio Holder(s)	GD

Northumberland

Northumberland County Council

Appendix 1

Revenue Medium Term Financial Plan 2017 - 2020

REVENUE MEDIUM TERM FINANCIAL PLAN 2017 - 2020

		2017-2018 £000	2018-2019 £000	2019-2020 £000
Funding				
Government Grants	- Dedicated Schools Grant (DSG)	(161,704)	(161,704)	(161,704)
	- Revenue Support Grant (RSG)	(27,799)	(18,990)	(10,283)
	- Rural Services Delivery Grant (RSDG)	(1,878)	(1,445)	(1,878)
	- Business Rates - Income and Grants	(66,805)	(71,473)	(74,021)
	- New Homes Bonus (NHB) - excluding service specific element	(6,273)	(4,682)	(4,493)
	- Transition Grant	(278)	-	-
	- Adult Social Care Support Grant	(1,528)	-	-
	- Improved Better Care Funding (IBCF)	(41)	(4,339)	(8,460)
	- Education Services Grant (ESG)	(812)	-	-
	Sub Total	(267,118)	(262,633)	(260,839)
Council Tax		(150,205)	(154,287)	(158,273)
Council Tax - Adult Social Care Precept (ASCP)		(7,393)	(12,207)	(12,278)
Collection of Parish Precept		(7,823)	(7,823)	(7,823)
Use of Balances	- Collection Fund - Council Tax	(9,635)	-	-
	Total Funding	**(442,174)**	**(436,950)**	**(439,213)**
Expenditure				
Baseline Budget including Commitments/Adjustments		435,794	442,174	436,950
Waste PFI		(414)	492	217
Adult Social Care Pressures (funded from Adult Social Care Precept)		3,754	4,166	69
Reduction in Housing Benefit Administration Grant		35	150	135
Apprenticeship Levy		530	-	-
Pay Inflation		1,226	1,250	1,250
Non Pay Inflation		706	1,200	1,200
Incremental Drift		955	1,000	1,000
Growth & Commitments		5,597	6,518	8,392
Savings required to achieve 1.99% general increase in Council Tax		(6,009)	(20,000)	(10,000)
	Total Expenditure	**442,174**	**436,950**	**439,213**
Tax base		101,147.70	101,869.10	102,461.70
Band D Council Tax		1,485.01	1,514.56	1,544.70
Band D Council Tax - Adult Social Care Precept		73.09	119.83	119.83
Increase in Council Tax (including Special Expenses, excluding ASC Precept)		1.990%	1.990%	1.990%
Council only increase		1.990%	1.990%	1.990%
Adult Social Care Precept		3.000%	3.000%	0.000%

Northumberland County Council

Appendix 2

Revised Revenues and Benefits Policies

Corporate Debt Recovery Policy

1. Introduction

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

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

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

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

It is essential that all monies due are collected effectively by the Council, and that debt owed to the Council is kept to a minimum. This is because the Council has both a legal duty and a responsibility to its citizens to ensure that income due is paid promptly.

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

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

2. Aims

The aims of the corporate debt policy are to:

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

3. Scope of the Policy

This policy applies to the collection of:

- Council Tax
- Non-Domestic Rates (Business Rates / NNDR)
- Housing Benefit and Council Tax Benefit/Support Overpayments
- Sundry Debt (Council Services)
- Overpaid salaries and wages

There are specific rules and regulations which govern the recovery and collection of these debts, and are set out in the respective annexes.

4. Policies common to all types of debt

Every demand for money will be correctly addressed to the person who is liable to pay it. The name on the demand will be that of a person or body possessing “legal personality”.

Demands will, wherever possible, be issued as soon as practicable and, if possible, on the day of production.

The Council will attempt at all times to use the most appropriate and effective method of debt recovery in order to maximise income.

The Council will encourage the most cost effective payment methods with the emphasis being on unmediated electronic means where possible. “Unmediated” in the context of electronic payment methods means a method of payment that requires no human intervention by Officers of the Council to achieve its crediting to the account in question.

Equality and diversity considerations will be taken into account in accordance with the Council’s Equal Opportunities Policy. Specifically staff seeking to recover debts will have regard to ensuring information is accessible through translations, larger print versions or sign language, as appropriate, to the needs of the debtor.

Where the potential for a statutory benefit or discount exists in relation to the debt, efforts will be made to make the debtor aware of such opportunities and they will be assisted and encouraged to apply for these.

All notices issued by the Council will comply with the corporate style guidance and be readily identifiable as being from the Council.

Where either national or local performance indicators exist the Council will strive for top quartile performance and will publish its actual performance against these targets annually. Progress reports will be made available at regular intervals during the year to the Strategic Management Team and the appropriate Committees.

The Council welcomes the involvement of welfare agencies where authorised by the debtor in connection with debts due to the Council, and recognises the benefits that these organisations can offer both the debtor and the Council in prioritising repayments to creditors and in maximising income available to the debtor.

The Council supports the provision of advice from external agencies and will work in conjunction with them. These include Age UK, Citizens Advice Bureau (CAB) and Shelter.

In cases of multiple debts there must be close liaison between services. Multiple debts are where a debtor has significant debts in more than one service area, e.g. NNDR, council tax benefit/support and housing benefit overpayment. Such cases can present problems in determining the relative priority of the individual debts for both the individual concerned and the Officers preparing settlement.

In such cases Officers are expected to liaise and agree an appropriate means of coordinated recovery, which reflects these policy aspirations together with the need to balance repayment profiles across all debts due to the Council.

Cross service communication may arise on an ad-hoc basis where appropriate cases present themselves.

The Council recognises that prompt recovery action is key in managing its debt and maximising income. The Council therefore aims to:

- Regularly monitor the level and age of debt.
- Set clear targets for the recovery of debt.
- Have clear written recovery procedures.
- Set priorities for specific areas of debt and assess recovery methods to ensure maximum recovery.
- Regularly review irrecoverable debts for write-off.

All sundry debt accounts that are written off will initially be written off as a charge against the income code against which they are raised. At the year-end an adjustment will be made if any of the debt was already provided for as doubtful in the bad debt provision.

Where an external agency is procured to assist with the delivery of a service the flow of information between the Council and the agency must be in a secure electronic format.

Where legislation permits, the Council will seek to take control of goods and recover from the debtor any and all costs/fees that are legitimately due from the debtor to the Council or its agents. Only in exceptional cases, where it would not be in the public interest to pursue costs/fees, will they be waived.

5. Principles of Recovery

The Council will follow the principles outlined below.

- Our action will be **proportionate**
- Our approach will be **consistent**
- Our actions will be **transparent**

Additionally our intention will be to be firm and fair, and our manner will be courteous.

Proportionality – Proportionality allows for a balance to be struck between the potential loss of income to the Council and the costs of compliance.

Consistency – Consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council's aim is to achieve consistency in:

- The advice the Council gives.
- The use of its powers.
- The recovery procedures used.

The Council recognises that consistency does not mean simple uniformity. Officers need to take account of many variables such as:

- The social circumstances of the debtor.
- The debtor's payment history.
- The debtor's ability to pay.

Transparency – Transparency is important in maintaining public confidence. It means helping people to understand what is expected of them and what they should expect from the Council. It also means explaining clearly the reasons for taking any recovery action.

Transparency is a key part of the Council Officer's role. If action is required, the reasons why must be clearly explained and time scales must be clearly stated. A distinction must be made between advice and legal requirements.

Communications should be in plain English, and large print with Braille or translated versions will be made available to customers upon request.

With the exception of Council Tax and NNDR, an opportunity must be given to discuss what is required to comply with the law before formal recovery action is taken. A written explanation must be given of any rights of appeal against formal recovery action either before or at the time the action is taken.

6. Hierarchy of Debt

Some customers will owe more than one debt to the Council, and may be on a low income or experiencing financial hardship. In such cases it needs to be clear which debts the Council considers a priority.

Priority will be given to debts where non-payment could lead to loss of the customer's home or imprisonment. These relate to Council Tax, which are most commonly enforced through the courts as per statutory requirements.

Other debts owed to the Council may, depending on the circumstances, be considered to be of lower priority.

7. Methods of Payment

The Council's preferred method of payment is Direct Debit. However, this does not prohibit accepting payment by other methods. Apart from Direct Debit, the Council accepts a range of payment types as appropriate to the debt type and size.

These include cash, cheque, credit and debit cards, standing orders and other electronic banking methods, such as online internet banking and touch tone telephone payments. See Annex D Methods of Payment Policy.

8. Write Offs

The Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is good practice. See Annex E Write Off Policy.

The Council will seek to minimise the cost of write-offs to the local Council Tax payers by taking all necessary action to recover what is due. All debts will be subject to the full collection, recovery and legal procedures as outlined in this policy. See Annex A Council Tax and NNDR Recovery Policy; Annex C Housing Benefit and Council Tax Benefit/Support Overpayment Policy and Annex F Sundry Debt Policy.

Write off is only appropriate where:-

- The demand or invoice has been raised correctly and is due and owing; and
- There is a justified reason why the debt should not be pursued. See Annex E Write Off Policy.

Justified reasons

It is not possible to list every scenario which could make a debt suitable for write off. However, the following factors could be appropriate depending on the circumstances. The advice of the Corporate Debt Team should be sought in determining whether a debt is suitable for write off. Some of the justified reasons are included below:

- The customer is bankrupt or in liquidation and the Official Receiver/Trustee or Liquidator has confirmed there is no dividend payable; these matters should be referred to the Corporate Debt Team as soon as a notification of bankruptcy or liquidation is received;
- The customer cannot be traced. The Corporate Debt Team should be consulted before applying for write off, as they have search engines and other methods to locate the absconded customer;
- The debt is uneconomical to pursue, or to pursue further. This may be based on more than one factor, such as the amount of the debt, the financial position of the customer and the cost of administrative and Officer time in pursuing the debt. If the debt is over £50 the Service should consult the Corporate Debt Team to determine whether the debt is economically viable to pursue;
- Administrative errors or loss of documentation. When a debt is referred to the Corporate Debt Team, under the Civil Procedure Rules, the Council is required to set out in detail the basis of the claim and enclose documentary evidence to back up the claim. If there is a lack of evidence it may not be possible to pursue the matter. The Service may wish to consult Legal Services on the position before referring the debt for write off;
- The debt is a contractual debt over 6 years old. Under the Limitation Act 1980, it is not possible to issue court proceedings in a contractual matter which is over 6 years old; however there are exemptions to this rule and the Services should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitation Act 1980.
- The Magistrates' Court has refused a committal application and remitted the debt.
- The Council has evidence to confirm the claimant is suffering a severe physical or mental illness, which renders recovery action inappropriate.
- The customer has died and there are no or insufficient funds in the estate to settle the debt

Please note Services will be required to confirm they have followed the normal debt recovery procedures before referring the debt for write off, and where the procedures are not followed an explanation will need to be provided.

Where debts have been referred to the Corporate Debt Team and it becomes impossible to recover the balance, the Corporate Debt Team will provide a memorandum to the instructing Service explaining the reasons why it is considered appropriate to write off the balance. The Corporate Debt Team can only recommend or agree to write off. It is the responsibility of the Chief Officer of each Service to complete the write off form and submit the request to the Corporate Debt Team in accordance with the procedures identified in this guidance note. All relevant correspondence relating to the debt must accompany the write off form.

Irrecoverable debts will be referred to the relevant Officer(s) or Committee, designated under the Council's Finance and Contract Rules at a pre-agreed frequency and in a pre-agreed format.

The limitations for writing off irrecoverable debts are those contained within the Council's Finance and Contract Rules.

The appropriate policy on the write off of a debt is detailed in the annexes attached.

Annex A

Council Tax and NNDR Recovery Policy

Introduction

1. Council tax is a tax levied on all eligible domestic dwellings. Non-domestic rates are a tax levied on eligible business properties. The amount of council tax levied is dependent on the council tax band that the property falls into and the amount of tax to be raised. The amount of non-domestic rates is dependent on the rateable value of the property and the nationally set rating multiplier.

2. The full rate of tax is liable to be paid unless the property, owner or occupier is eligible for a reduction or exemption. The main reasons for reductions include empty property discounts, Council Tax/benefit/support for residents on low income, disregards, single occupancy discounts and charitable relief.

3. Council tax and non-domestic rates are payable in line with a statutory instalment scheme or by agreement. There is a legal duty placed on the Council and its Officers to collect outstanding debts in accordance with the Council Tax (Administration and Enforcement) Regulations 1992 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended).

Policy Aims

4. The Recovery policy will ensure that:

   - The Council will bill, collect and recover all debts in an economic, effective and efficient manner in accordance with legislation and best practice.
   - All taxpayers and ratepayers are treated fairly and objectively.
   - Action taken will be fair and open, no-one will receive less favourable treatment because of their race, nationality, colour, ethnic or national origin, religious belief, gender, marital status, sexual orientation, age or disability.

Policy

5. The Council will bill, collect and recover all debts in an economic, effective and efficient manner in accordance with legislation and best practice.

   - Demand notices and adjustment notices will be issued in accordance with regulations.
   - A recovery timetable will be drawn up before the beginning of each financial year.
   - Reminders and final notices will be issued 14 days after an instalment has fallen due.
   - A summons to the Magistrates' Court will be issued if full payment has not been made in accordance with the previously issued notice.
   - If settlement is still not made an application will be made to the Magistrates to grant a Liability Order.

6. Following the grant of a Liability Order the debtor will be given an opportunity to make a suitable payment arrangement. Should the debtor not make or keep to a payment arrangement the following recovery action(s) can be taken. The recovery action(s) will be dependent on the circumstances of each individual case.

   i. **Attachment of Earnings**
   Deductions are made from the debtor's earnings at a rate determined by legislation.

   ii. **Deductions from Income Support, Job Seeker's Allowance, Employment Support Allowance, Pension Credit or Universal Credit**

Deductions are made from the debtor's benefits at a rate determined by legislation.

iii. **Taking Control of Goods – use of Enforcement Agents**
Enforcement Agents employed or contracted by the Council will be required to comply with the Enforcement Agent Code of Practice, Service Level Agreement(s) and the Tribunals, Courts and Enforcement Act 2007 and any other prevailing legislation at all times.

iv. **Bankruptcy/Liquidation**
If sufficient assets exist to meet the outstanding debt the Council can petition for Bankruptcy/Liquidation.

v. **Charging Orders**
An order placed on the debtor's property to secure the debt. County Courts are empowered to order the sale of the dwelling if the debtor does not pay.

vi. **Committal**
The Council can make an application to the Magistrates' Court to instigate action that could ultimately result in the debtor being sent to prison for non-payment.

vii. Attachment of Allowances
Deductions are made from Elected Members' Allowances.

The Council reserves the right to pursue the most appropriate of the above recovery methods depending on the specific personal and financial circumstances of the debtor.

7. A separate detailed recovery procedure document exists which can be viewed as a background paper to this policy document.

8. The Write Off and Costs Policies are attached as separate documents.

Annex B

Council Tax and NNDR Court Costs and Fees Policy

Introduction

1. Considerable costs are incurred to recover sums due from defaulting council taxpayers and non-domestic ratepayers. The Council Tax (Administration and Enforcement) Regulations 1992 (as amended) and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended) empower the Council to recover reasonable costs from defaulters with the approval of the Courts.

Policy Aims

2. To provide a uniform scale of costs applicable at each recovery stage.

3. To ensure that the level of costs is reasonable.

Policy

4. The following scale of costs is applicable with effect from 1 April 2016.

Liability Orders and Committal Proceedings

Recovery Stage	Council Costs £	Court Costs £	Cost to Debtor £	Collectable £
Court Summons	47.00	3.00	50.00	47.00
Liability Order	50.00	Nil	50.00	50.00
Committal Summons/Warrant of Commitment	60.00	245.00	305.00	60.00
Warrant backed by bail	70.00	75.00	145.00	70.00
Warrant not backed by bail	70.00	75.00	145.00	70.00

NOTE: Arrest warrants executed by the Council's agents will be subject to a charge to the Council at different rates, depending on the agent's scale of charges and the location where the warrant is executed. Typical fees are:

Executing a warrant backed by bail	£125.00 + VAT
Executing a warrant not backed by bail	£175.00 + VAT

There may be instances where more than one warrant is required. This will affect the balance shown as collectable.

Bankruptcy Proceedings

The petitioning creditor's costs associated with bankruptcy proceedings are:

Fixed Costs (in accordance with the statutory scale of fees and charges currently in force, which may change).

£280.00	Court Fee – payable on filing of petition (non-refundable)
£825.00	Official Receiver's Deposit - payable on filing of petition (refundable if petition is withdrawn or dismissed)

Variable Costs (to be claimed in the bankruptcy)

£225.00	Expense in relation to preparation and service of Statutory Demand and preparation of Certificate of Service.
£350.00	Expense in relation to preparation and filing of Petition and Statement of Truth.
£180.00	Expense in relation to the Personal Service of the Petition.
£115.00	Expense in relation to preparation and filing of Certificate of Service.
£325.00	Expense in relation to preparation of papers for and attendance at Petition Hearing.
Variable	Actual costs incurred for additional matters e.g. Legal opinion, additional legal representation, attendance at additional hearings etc.

All costs may be claimed in the bankruptcy.

Charging Orders

Fixed Costs associated with Charging Orders are levied in accordance with the statutory scale of fees and charges currently in force. They are currently:

£100.00	Application Fee
£20.00	Online Land Registry Registration Fee
£4.00	Cost of Office Copy of Land Registry Entry
£110.00	Fixed costs that may be awarded by the Court

All costs are included in the Final Charging Order.

5. Council costs will be reviewed annually in line with budget. The Council has no discretion in the level of Court costs which are governed by legislation.

Annex C

Housing Benefit and Council Tax Benefit/Support Overpayment Recovery Policy

Introduction

1. Overpayments of Housing Benefit and Council Tax Benefit/Support are established through a change in benefit entitlement. They are described as an amount of benefit that has been awarded but to which there is no entitlement under the regulations.

2. Accurate and prompt identification of overpayments is important to ensure that the incorrect payment of benefit is discontinued and to maximise the chances of successful recovery.

3. The Council recognises that to ensure there is minimal loss to public funds firm but fair action must be undertaken in the administration of Housing Benefit and Council Tax Benefit/Support overpayments.

4. Proactive action in the recovery of overpayments has a deterrent effect. However, the Council has a responsibility to act in accordance with all relevant legislation and regulations.

5. In all cases due regard will be given to the health and individual circumstances of the claimant to avoid causing unnecessary hardship.

Policy Aims

6. The policy will reflect best practice in the procedure for dealing with the administration and recovery of Housing Benefit and Council Tax Benefit/Support overpayments.

7. The policy will be flexible in its approach to the recovery of overpayments with each case treated on its own merits. The Council recognises that a policy which, for example, requires recovery in all cases or recovery is always made from specific categories of claimants is unlawful.

8. The policy has regard to the rights of individuals and the obligations of the Council under the provision of the Human Rights Act 1998.

9. The Council will:

    - take steps to minimise and prevent overpayments from occurring
    - identify the overpayment promptly
    - stop the overpayment from continuing
    - classify the overpayment correctly
    - determine if the overpayment is recoverable and if recoverable
        - determine from whom to recover
        - determine the most appropriate method of recovery
    - notify the claimant and other affected persons of the decision
    - implement effective financial control of the recovery process

The Policy

10. The policy will be applied in all cases where an overpayment of benefit has occurred, that is, any amount of Housing Benefit or Council Tax Benefit/Support which has been paid but to which there was no entitlement whether on initial decision or on a subsequent revised or superseded decision.

11. In most cases overpayments can arise as a consequence of:

- payments made in advance
- late disclosure of a change in circumstances
- errors made by the claimant when completing an application form or review form
- claimant error
- official errors made by the Council or the Department for Work and Pensions
- deliberate fraud

12. Official error overpayments are only recoverable if the claimant or the person from whom recovery of the overpayment is sought could reasonably have known that an overpayment was occurring at the time the overpayment occurred.

Prevention of Overpayments

13. Overpayments are often difficult and time consuming to administer. They can cause difficulties for claimants and their families as they try to manage on limited incomes. They are to be avoided where possible. This will be achieved by:

- telling claimants how to avoid overpayments, with letters, in leaflets and during verbal communications
- encouraging claimants to maintain contact with us
- processing information quickly and accurately to minimise overpayments
- offsetting any new or underlying entitlement

Identifying Overpayments

14. The Council will endeavour to act on any information received in relation to a claimant's change in circumstances within seven days of having received sufficient information to identify that an overpayment has or will be occurring.

15. This action will in the first instance include the suspension of further ongoing payments of incorrect benefit.

16. The Council will endeavour to identify any change in circumstances that would result in an overpayment still outstanding after seven days by:

- undertaking a check of the Department for Work and Pensions records held on the Customer Information System (CIS) to identify whether entitlement to Income Support, Jobseeker's Allowance (Income Based) has ceased and if this information is not readily available on CIS by the sending of a benefits enquiry information letter
- referring potential fraudulent overpayments to the Benefit Fraud team
- ensuring that any post relating to the change in circumstances is collated and acted upon

Classification of Overpayments

17. The correct classification of overpayments is essential as, depending on the type of overpayment, the authority will receive a percentage of the overpayment back from the government by way of subsidy. A summary of the types of overpayments and percentage of subsidy allowed is shown at the end of this policy.

18. All overpayments must be correctly classified by an Officer of the Council who has had training to a sufficient standard to allow them to make decisions, which ensure the correct application of the law in the decision making process.

19. All Officers with responsibility for classifying an overpayment must record both the classification and their reasons for it on the benefit file.

Calculation of Overpayments

20. Where an overpayment has occurred the Council must invite claimants to provide sufficient information for any underlying entitlement to benefit for the overpayment period to be assessed.

21. The full amount of the overpayment should be recovered unless the health or financial circumstances of the person from whom recovery is being sought suggest a lesser amount would be appropriate.

22. In all cases the overpayment should be recovered as quickly as possible and normally no later than six years from the date recovery action is commenced.

Notification Letters

23. All notification letters must be dated and issued to all affected persons within fourteen days of the Council having made the decision.

24. The notification must include the reasons for the decision, the right to request a further statement and the time limit for doing so and the claimants appeal rights and the time limit for doing so.

25. Copies of the notification letter must be able to be reproduced in the event of an appeal, complaint or proceedings taken against the Council.

Decisions on Recoverability

26. In all cases where an overpayment has arisen the Council should consider whether an official error has caused or contributed towards the overpayment.

27. Where the Council has identified an overpayment, which was caused or contributed to by an official error, it should decide whether recovery of the overpayment is appropriate under the guidance issued by the Department for Work and Pensions.

Who Should the Overpayment be Recovered From

28. Before recovery action begins consideration will be given as to whom is the most appropriate person to recover the overpayment from. This may in certain cases mean that further information is required from the affected parties.

29. Recovery should then be made from the most appropriate persons who may be:

    - the claimant
    - the person to whom the payment of benefit was made
    - the person who misrepresented or failed to disclose the material fact
    - the partner of the claimant if the partner was living with the claimant at the time of the overpayment and at the time the decision to recover was made

30. In all cases where the overpayment was the result of proven fraud the overpayment should, in the first instance, be sought to be recovered from the person who misrepresented or failed to disclose a material fact.

Recovery of Overpayments

31. In all cases where recovery of an overpayment is sought the Council will have regard to its statutory duty to protect the loss from public funds but in doing so will have regard to:

    - the length of time the recovery of the overpayment may take

- the effect of recovery on the affected person
- the ability of the affected person to repay the debt

32. The Council may consider the method of recovery of an overpayment at any time for the purpose of effectiveness and efficiency in financial control.

33. Only if it becomes clear after all attempts at recovering the overpayment have become exhausted and there is no hope of recovery, or there are extenuating circumstances, shall the debt be recommended for write-off. In all cases, the Council's Finance and Contract Rules shall be adhered to.

34. Recovery should be suspended if a claimant appeals a decision until the appeal has been resolved.

Methods of Recovery

35. Overpayments of recoverable Council Tax Benefit/Support will result in an adjustment being made to the claimant's council tax account for the appropriate year. An amended bill will be issued and any unpaid monies will be subject to recovery action under the council tax regulations.

36. The most appropriate method of recovery for Housing Benefit Overpayments should be considered in all cases, including:

    - on-going deductions from further payments of Housing Benefit
    - deductions from other Department for Works and Pensions benefits
    - benefit debtor invoices
    - Direct Earnings Attachments
    - debits to the rent account where it is in credit
    - recovery from landlord
    - referral to an external debt collection agency (after all the above avenues of recovery are considered or exhausted)
    - applying to the County Court for a County Court Judgement (after all avenues of recovery are considered or exhausted). With a County Court Judgement (CCJ) further recovery actions can be taken, e.g. instructing enforcement agents or attaching the debtor's earnings.

37. In cases where an invoice has been issued a period of at least one calendar month should have elapsed before recovery action begins. This will allow time for the claimant to re-apply for benefit, which may identify an underlying entitlement to Benefit from which deductions may be taken to recover the overpayment, or for the claimant to register any appeal.

38. In cases where recovery from on-going benefit is sought the standard maximum rate of deduction as laid down by regulation should be applied unless the health or financial circumstances of the claimant suggest a more appropriate rate should be used. In all cases however a minimum amount of fifty pence per week Housing Benefit must remain in payment.

39. Recovery will be stopped when a bankruptcy order is made and the relevant debt will be included in the Council's claim in the bankruptcy. Where the overpayment is a result of fraud then recovery action may be resumed following discharge from bankruptcy.

40. Where the claimant is deceased an invoice will be sent to their executors or representatives to seek recovery from their estate.

Monitoring and Reporting Mechanisms

41. Monitoring of overpayments will be carried out in conjunction with the Council's Corporate Performance Management System.

Write Offs

42. Recovery of overpayments will be carried out as diligently as possible. However, if it becomes clear that there is no hope of recovery, or that there are extenuating circumstances the debt will be recommended for write off in accordance with the Write Off Policy. In all cases the Council's Finance and Contract Rules will be adhered to.

Additional Information

- Housing and Council Tax Benefit/Support Overpayment Classification Types
- Extract on Overpayments from 2007/08 DWP Subsidy Claim
- LA Error Subsidy Calculation (all authorities) 2007/08

Housing Benefit/Council Tax Support Overpayment Classification Types

Type of Overpayment	*Description*	*Subsidy Payable*
Local Authority Error	Local Authority (LA) error overpayments are those caused by a mistake, by an act or omission, by a LA when the claimant did not contribute to the mistake. These can result from incorrect information being extracted from a benefit claim, error in data input which result in the incorrect assessment of benefit or failure to act/act promptly on a notification of change in circumstances.	Subject to thresholds. The lower threshold is 0.48% of the total expenditure attracting full subsidy; the upper threshold is 0.54%. 100% subsidy will be payable if the level of error does not exceed the lower threshold. If LA error overpayments are greater than the lower threshold but do not exceed the upper threshold, then 40% subsidy is paid on the total LA error overpayments. If LA error overpayments exceed their upper threshold LA s receive nil subsidy on their LA error overpayments.
Claimant Error	An overpayment caused by the claimant or person acting on the claimants behalf or any person the benefit is paid to, failing to provide information in accordance with Housing and Council Tax Benefit/Support regulations and has not been defined as fraudulent.	40%
Fraud	An overpayment occurring as a result of a payment of HB or CTB arising from a breach of section 111A or 112 of SSAA1992 or a person knowingly failing to report a relevant change of circumstances with intent to obtain or retain HB or CTB either for themselves or someone else.	40%
DWP Errors (Departmental Official Errors)	An overpayment arising from a mistake, whether in the form of an act or omission made by an officer of the DWP, HMRC or a person acting for them.	Nil If recovered 100% if not recovered

Technical HRA	An overpayment when a rent rebate is credited in advance of entitlement for a particular period, where a change of circumstances or a recoverable overpayment causes that entitlement to be removed or reduced.	Nil

Annex D

Methods of Payment Policy

Introduction

1. A number of payment methods are available to customers to pay the Council. To operate efficiently the Council needs to provide the same facilities to all residents and businesses.

2. The Council is committed to offer increased access to services and as such must offer different payment methods, but must do so consistently giving heed to the need to minimize the cost of collection.

Policy Aims

3. The Policy aims to:

- Improve customer services through the range of payment methods.
- Allow customers to make payments outside of office hours.
- Standardise payment methods.
- Enable efficiency savings through rationalisation.

Policy

4. The following methods of payment are offered/accepted (the list is not exhaustive):

- Direct Debit (the preferred method)
- Cash
- Cheque/Postal Order
- Debit card
- Credit Card
- Standing Order
- BACS/CHAPS
- Via the Internet or Touchtone telephone using a debit or credit card.
- Using a bar-coded bill / invoice at any Post Office, Paypoint outlet or Council Customer Service/Information Centre

5. For sundry debts, a direct debit should, wherever possible, be set up against an invoice in advance of the service being provided.

6. Barcodes should be used wherever possible on bills and invoices.

7. A de-minimis level will not apply for payments made by debit or credit card.

8. No extra fee will be charged to those customers paying by debit or credit card (the cost of this will be monitored and reviewed annually).

9. Instalment dates for council tax and non-domestic rates are as follows:

- Direct Debit: 1st, 15th or 28th of the month commencing in April of any financial year. Customers can opt to pay in up to 10 or 12 instalments.
- Non Direct Debit: 1st of the month commencing in April of any financial year in up to 12 instalments.

Annex E

Write-Off Policy

Introduction

1. The Policy is in respect of council tax, non-domestic rates, housing benefit and council tax benefit/support overpayments and sundry debts.
2. An integral part of debt recovery is the effective management of irrecoverable debts to ensure that resources are applied efficiently to the collection of monies outstanding which can reasonably be expected to be collected.
3. It is good practice to identify and write off irrecoverable debts. This enables the Council to use resources to their maximum benefit.

Policy Aims

4. There are consistent guidelines and procedures to follow.
5. Provide a framework to write off debts once every possible recovery process has been exhausted.
6. Strike a balance between protecting the Council's financial position and making sure anti-poverty issues are addressed.
7. Write offs are carried out in accordance with the Council's Finance and Contract Rules in force at that time.

Policy

8. Debts will normally only be considered for write off where the account is "closed" (i.e. no recurring debt). Only in exceptional circumstances will amounts on "live" (i.e. on-going accruing debt) accounts be considered. Such cases must demonstrate that further recovery action will not achieve collection of the debt.
9. The effectiveness of the Policy will be measured against the Council's Performance Framework.
10. It is not possible to list every scenario which could make a debt suitable for write off. However, Annex E_1 shows the main reasons why debts become irrecoverable.
11. Advice should be sought from the Corporate Debt Team in determining whether the debt is suitable for write off.
12. The Council will record all write off decisions.

Annex E1

Reasons for Write Off

Absconded / No Trace	All reasonable attempts to find the debtor have failed.
Deceased	Insufficient or no funds in the Deceased's estate to pay the amount outstanding.
Debt "out of time"/ too old to recover	Debts over 6 years old where a liability order has not been granted (council tax and NNDR), or no contact has been made and no payments have been received (in accordance with the Limitation Act 1980 (as amended). However for certain Sundry Debts there may be exemptions to this rule and the Service should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitation Act 1980.
Uneconomical to pursue / pursue further	When all recovery processes have been tried or considered, or the cost of proceeding would be prohibitive.
Hardship	Each case taken on its merits.
Debt remitted by the Court	Magistrates have remitted the debt.
Bankrupt	The debtor is declared bankrupt and sums due as at the date of bankruptcy cannot be recovered.
Debt Relief Order (DRO)	The debt is included in a Debt Relief Order and cannot be recovered.
Company in Liquidation / Wound up / Dissolved / Struck off	The debtor is a Limited Company. The Company no longer exists as a legal entity and there is no means of recovering the debt.
Company in Administration	The company is being administered on behalf of its creditors and the Administrators have no legal responsibility for the accrued debts of the company.
Company Voluntary Arrangement (CVA)	The Company has entered into a voluntary arrangement with its creditors through an insolvency practitioner.
Individual Voluntary Arrangement (IVA)	The debtor has entered into an arrangement with creditors through an insolvency practitioner.
Non-recoverable housing benefit overpayment	Housing benefit has been overpaid but is not recoverable under the Housing Benefit Regulations 2006, 100(2) or the Housing Benefit (Persons who have reached the qualifying age for state pension credit) Regulations 2006, 81(2).

Annex F

Sundry Debt Policy

1. Policy

1.1 This Policy shall be known as 'The Sundry Debt Policy' and covers the collection of customer accounts due to Northumberland County Council.

1.2 It is the Council's policy to recover all collectable debt owed to it and with this overall objective in mind this policy aims to:

- Maximise the collection of the Council's income
- Reduce the time taken to raise invoices to within 10 days of the provision of service(s)
- Reduce the time taken to collect charges
- Reduce the level of debt owed to the Council and its provision for bad debts
- Reduce the incidence of debt that cannot be collected
- Focus the attention and improve education of Services to raise awareness of the importance of prompt debt recovery
- Tackle any non-payment culture amongst customers.

1.3 This Policy supports these aims by:

- Promoting ownership of debts by service providers
- Ensuring that, where possible, payment up front is received
- Ensuring whenever possible that collection of the fee or charge involved takes place prior to the service being provided so that credit is only given when essential to do so
- Promoting a system of credit control
- Ensuring invoicing procedures are carried out on an accurate and timely basis
- Requiring that evidence to support the invoice exists in the form of an official purchase order or other written agreement
- Encouraging debtors to pay promptly,
- Making collection and recovery activity more efficient by prioritising collection of larger debts
- Creation of a corporate framework to enable efficient and effective income management

1.4 The Policy aim is to achieve the following rates of collection in terms of both numbers and value of invoices:

- 90% of invoiced debt to be collected within 35 days of the invoice being issued
- 95% of invoiced debt to be collected within 60 days of the invoice being issued
- The respective Service Manager will review each year the targets above.
- The Council will publicise the fact that it has this policy and that it intends to pursue and enforce the collection and recovery of all debts owed to it.

2. Key Principles of Fees and Charges

2.1 The fee or charge imposed by the Council must be fair in relation to the goods and/or services provided and consistent with other Local Authorities.

2.2 The charge must reflect the principles outlined in the appropriate charging policy and in the Council's Finance and Contract Rules.

2.3 The charge must, depending on legislation, always cover the cost of providing goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service.

2.4 The charge should wherever possible be obtained in advance of the goods and/or services being provided.

2.5 The charge must be collectable i.e. sound supporting documentation must be available with timely access.

2.6 Fees and charges must be reviewed at least annually as part of the budget setting process.

2.7 There must be a clear and prompt billing and collection process.

2.8 There must be a clear and consistent council-wide approach to the giving of credit and the collection of debt that is led by this policy.

2.9 The debt will remain the responsibility of the Service in which it was raised, and recovery action will be taken by the Corporate Debt Team. It is the responsibility of the Services to assist the Corporate Debt Team in collecting debts.

3. Responsibilities

3.1 Directors and Heads of Service must ensure that:

- The Corporate Debt Recovery Policy is adhered to
- The key principles of fees and charges are adhered to
- The parts of this policy that apply to their Service areas are correctly followed
- Specific attention is paid to prohibit the poor practise of raising large value invoices at the financial year end
- They proactively support the achievement of corporate targets for debt collection
- Budget Managers are fully aware of their responsibilities
- Relevant systems and procedures are in place
- Officers involved in the debt collection process are appropriately trained and are aware of their responsibility

3.2 Internal Audit will provide assurance that this Policy is adhered to and is effective.

4. Validation

4.1 The Service responsible for raising the invoice must ensure that the evidence of the service provided is fully validated and that the invoice is accurate and contains sufficient detail for both billing and recovery purposes.

4.2 The Corporate Debt Team will validate customer name and address details prior to invoices being raised, to reduce errors and avoid duplication. It is the responsibility of the originating Service to ensure that the correct billing details are collected. If incorrect details are entered for validation the request will be referred back to the originator and deleted from the system until correct details are supplied.

5. Invoicing

5.1 Services are responsible for the raising of invoices in respect of the goods and/or services they supply on credit. They must ensure that an invoice pro-forma (Annex F_2) is fully completed. All fields must be completed in full, including:

- Customer's full name(s)
- Customer's full address(es),including postcode(s)
- Customer's contact telephone number(s)
- Customer's email address
- Date of supply
- Purchase order number (where applicable)
- Full description of the service/goods provided
- Amount due
- VAT amount ①
- Total due
- Financial code
- Originating Service
- Certification

This applies not only to their service but also when they are acting as an agent for another Group. In this latter case they should advise the relevant budget holder of the charge raised.

Note ① current rates of VAT are standard, reduced and zero. In addition some goods and services are exempt from VAT or out of scope. Officers should refer to the VAT manual on the intranet when deciding on the correct VAT treatment.

5.2 All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

- Individuals
- Sole Traders
- Partnerships
- Limited companies
- Charities limited by guarantee
- Clubs run by a committee
- Trustees
- Executors or Personal Representatives

Further information and rules to follow are detailed in Annex F_1

5.3 Unless agreed otherwise by the Corporate Debt Team, an invoice must be raised within 10 working days of the goods and/or services being supplied. The Corporate Debt Team will monitor performance against this target.

5.4 An invoice should not be raised:

- For less than £50.00. For fees and charges less than £50.00 payment must be made prior to the goods or services being provided. However, this excludes legal charges (e.g. ground rent) and arrangements already in place.
- Where the charge is not known in advance
- If a purchase order or written agreement has not been received
- When it cannot be proven that the goods and/or services have been supplied
- When the amount due has previously been paid
- Where an invoice for the same goods or service has already been raised.
- To artificially enhance income targets.

5.5 All services must keep a copy of the invoice pro-forma, together with any supporting information, for a period of six years plus the current year.

6. Payment Methods

6.1 Invoices may be paid by any of the methods in Annex D, (Methods of Payment Policy):

7. Credit Limits

7.1 For goods and/or services to be supplied and costing over £5,000 and where a payment up front cannot be obtained, a credit check must be run on all customers except those in the public sector. The Service must contact the Corporate Debt Team to carry this out.

7.2 Where possible, systems should be checked prior to the provision of a service.

7.3 Credit/Service provision must not be given to customers who previously have been consistently late payers or have not paid at all. Only the respective Head of Service can approve credit facilities where a customer has previous history of non-payment or late payment.

7.4 Preferential credit limits must not be agreed for any customer.

8. Payment Terms

8.1 The Council will collect monies owing to it fully and promptly.

8.2 Payment terms will only be granted where the customer is not able to settle the debt in full in one payment. On receipt of an invoice a customer can make arrangements to clear the amount outstanding by way of weekly, fortnightly or monthly instalments. Payment should be made by direct debit wherever possible.

8.3 All requests from customers to enter into arrangements for payment must be referred to the Corporate Debt Team regardless of the amount. The Corporate Debt Team will set up and monitor all payment arrangements.

8.4 The Corporate Debt Team will withdraw payment terms if a debtor fails to honour the agreement entered into.

8.5 Where invoices are raised payment becomes due after 30 days (or less where agreed).

9. Accounting Arrangements

9.1 Services will receive the credit when an invoice is raised.

9.2 Any third party fees or charges associated with recovering a debt will be charged to the Service.

9.3 Where debts cannot be recovered, the original credit will be debited from the Service budget by way of a write off; all write offs to be signed off in accordance with the Finance and Contract Rules.

9.4 Refunds of any overpayments will be processed by the Corporate Debt Team via a Debit Memo only where there are no other debts outstanding for that customer. Should a customer have an outstanding debt then any overpayment will be off set after the customer has been informed. Credits less than £1.00 will not be refunded.

9.5 Direct debit administration is carried out by the Corporate Debt Team. All rejections and cancellations are carried out by the Corporate Debt Team who will arrange to notify the Income Management Team and the appropriate individual Services.

10. Recovery

10.1 A reminder will be sent for all invoices unpaid usually after 1 day past the due date, i.e. day 33 after the invoice is raised.

10.2 If an invoice is unpaid after a minimum of 6 days past its due date (i.e. 36 days after the invoice is raised) a telephone reminder is made to the debtor by the Corporate Debt Team to recover the amount due.

10.3 If after a further 10 days the invoice is unpaid, a pre legal letter (letter before action) will be issued, and a request for the supporting information for legal action will be sent to the Service.

10.4 After a further 7 days if the invoice is still unpaid, the Corporate Debt Team may commence legal action.

Stage*	When	How
Reminder notice	33 days from date of invoice	Generated by the debtors system
Telephone reminder	36 days from date of invoice	List generated by the debtors system
Letter before action	46 days from date of invoice	Generated by the debtors system
Request for supporting information for legal action	On decision to take Court action	Manually generated Email to Service requesting proof of debt in 7 days
Legal action	On receipt of full documentation from Service	Legal action taken to recover debt

Note* these tasks will be performed by the Corporate Debt Team.

10.5 At any time after the issue of a reminder notice the Corporate Debt Team may refer the debt to a debt collection agency or, in the case of outstanding commercial rents where the debtor is still in occupation, the Corporate Debt Team may refer the debt to an enforcement agent to follow the Commercial

Rent Arrears Recovery process (CRAR). Once a case has been referred to a debt collection agency or enforcement agent any payment arrangement the debtor enters into must be made directly with that agency unless the Corporate Debt Team agrees otherwise.

10.6 The Corporate Debt Team must attempt to trace any debtors who have absconded or use external agents to do so. Where an external agent is used, charges will apply to the originating Service for this work.

10.7 Recovery action may be halted at any part of the process if the debtor enters into suitable payment terms with the Corporate Debt Team to clear the debt by instalments within a reasonable timeframe.

10.8 Recovery action may be halted at any part of the process if the originating Service decides not to allow recovery for the good of the service. When this happens the originating Service must bear the cost. The Corporate Debt Team will arrange to raise a credit note to cancel the charge and will also recharge the Service for any fees and costs already incurred.

10.9 In cases of non-payment for on-going services withdrawal of non-statutory services must be initiated no later than the pre legal letter stage (46 days) to prompt payment.

10.10 No further requests for goods or services should be actioned until outstanding debts are paid in full. Services must check the debtors system to confirm this.

11. Queries and Disputes

11.1 If a charge is disputed the Service must notify the Corporate Debt Team immediately to prevent the recovery process continuing. All disputes must be resolved by the Service within 90 days of the invoice being raised and the Corporate Debt Team notified of the outcome.

11.2 Where disputes are not resolved within this timeframe the Corporate Debt Team will raise a credit note to remove the debt from the system and notify the Service when this happens. The Service is then responsible for the re-raising of the invoice once the dispute is resolved, if appropriate.

12. Legal action

12.1 Where a debt collection agency or enforcement agent fails to collect the amount due or where a decision is made to pursue the debt in the County Court:

12.2 Single or multiple recoverable debts up to £5,000 will be considered for action through the County Court by the Corporate Debt Team, but only if the originating service can provide the necessary supporting documentation.

12.3 All recoverable debts over £5,000 will be considered for County Court action by the Corporate Debt Team, but only if the originating service can provide the necessary supporting documentation.

12.4 Failure to provide the necessary supporting documentation will result in the Corporate Debt Team raising a credit note to cancel the charge, and the loss of income will be met by the originating Service.

12.5 Where necessary, legal advice and representation will be sought by the Corporate Debt Team.

13. Credit Notes

13.1 There is a clear distinction between raising a credit note and writing off a debt.

13.2 A credit note to cancel or reduce a debt must only be issued to:

- Correct a factual inaccuracy
- Correct an administrative error
- Cancel an invoice where a dispute has not been resolved in the specified time.
- Adjust the amount of debt due

13.3 Where a credit note is submitted to correct a factual error the credit note will not be processed until the correct details are supplied for resubmission. Both actions will be carried out simultaneously to ensure prompt and accurate processing with a clear audit trail.

13.4 Credit note requests raised by Services must be made on the correct credit memo (example attached at annex F_3) with a full written explanation of why a credit note is applicable. Credit notes will be reviewed during the Audit process to ensure that they are completed in accordance with this policy.

14. Write Offs

14.1 A review will be undertaken to assess the recoverability of debt outstanding at the year-end. The following factors will be considered in the review:

- The type of debt;
- How long it has been unpaid; and
- The history of the debt since it was raised.

Where these factors suggest that the debt may not be recovered, a provision will be raised against the balance and a charge will be made against the service to more accurately reflect the financial position of the Council. In the event that the income is collected at a future date, an adjustment will be made to the service to reflect the recovery.

14.2 Write offs will be charged to individual service budgets.

14.3 Delegations and limits regarding write offs can be found in the Finance and Contract Rules which form part of the Council's Constitution.

14.4 A debt write off must not be used to by-pass the normal debt recovery procedure and therefore there will be internal monitoring of the revised policy to ensure write off is being used correctly.

14.5 Write offs can only proceed after consultation with the Corporate Debt Team.

14.6 A Write-Off Request Form (example attached at annex F_4) must be completed for each write off explaining the reasons for the decision for write off and confirming that the debt recovery procedures have been followed

- The original Write Off Request form should be sent to the Corporate Debt Team who will suppress debt recovery in relation to the invoice to which the write off relates.
- When a write off is approved the form will be signed and returned to the Corporate Debt Team to update the Sundry Debt system.

- The Corporate Debt Team or the Chief Executive may request further information from the originating Service to determine whether the debt is enforceable.
- If the Corporate Debt Team or the Chief Executive believes the justification for write off does not comply with the guidance procedures or an invalid reason is given, the form will be returned to the Service for reconsideration or amendment.
- A centralised record of all write offs will be kept by the Corporate Debt Team to be accessible for monitoring purposes.

15. Monitoring

15.1 Information and reports will be used to monitor performance against targets and timescales set. Regular reports will be issued to each Service for them to review their outstanding debts.

15.2 The Corporate Debt Team is authorised to:

- Carry out the central monitoring of this policy,
- Agree amendments to the policy for operational, efficiency and effectiveness purposes,
- Report to the Chief Executive any major issues arising from the above.

16. Review

16.1 This Policy will be reviewed annually but may be amended at any time to incorporate new procedures, practices or legislative requirements.

Annex F1

Raising of Debtor Accounts to Legal Entities

All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

1. Individuals
2. Sole Traders
3. Partnerships
4. Limited companies
5. Charities limited by guarantee
6. Clubs run by a committee
7. Trustees
8. Executors or Personal Representatives

All invoices must state the full correct postal address, including postcode.

Rules to follow:

1. Individuals - This is usually someone living at a residential address. When a request is received for a service, the person's full name (title, forename(s) and surname) must be obtained and stated. Initials are not sufficient. If the request is on behalf of more than one person then the full name of each person must be obtained and stated. The full correct postal address, including postcode, must be stated.

2. Sole Traders – Where an individual is trading in his or her own name the full name of the individual as well as the business name must be obtained e.g. Mr John Smith, trading as Fast Removals. Evidence of the name of the business could be in the form of a request for services on a business letterhead. The individual's full postal address must also be requested.

3. Partnerships - 'LLP' must be added where applicable, otherwise the full names of one, two or more partners must be stated, followed by 'trading as' (as above). If LLP is applicable the full correct business address, including postcode, must be stated, otherwise the full correct postal address(es), including postcode of the partner(s) should be stated.

4. Limited Companies - the name must include 'Ltd' or 'Plc'. Invoices can be addressed to either the current registered office or to a place of business of the company. Evidence of their Limited Company Status and registered office must be obtained by requiring confirmation of the service request on their official letterhead. Further confirmation can be obtained from https://www.gov.uk/get-information-about-a-company

5. Charities limited by guarantee – companies which are charitable and also limited by guarantee can be exempted from using the term 'Ltd' so, for example: "Oxfam" is a correct name. Evidence of their charitable status must be obtained by requiring confirmation of the service request on their official letterhead. Further confirmation can be obtained from http://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx

6. Clubs run by a committee – the full name(s) and address(es) of the treasurer and / or the secretary, or the trustees must be stated.

7. Trustees – the full name(s) and address(es) of the trustee(s) and the full name of the trust must be stated.

8. Executors or Personal Representatives – must be addressed e.g. 'Mr Peter Smith, Executor of James Brown Deceased or 'Personal representatives of James Brown Deceased. The full postal address(es) of the executors/personal representatives must be stated.

Annex F2

Northumberland County Council

INVOICE REQUEST FORM

<u>All relevant sections must be completed</u>

Date				
Details Processed By				
CUSTOMER DETAILS				
Customer Name	**Title**	**Forename(s)**	**Surname**	
Company Name (if applicable) **Name of Company Contact Person**				
Billing Address				
Service Address (if different from above				
Telephone No.				
E-mail				
NCC DETAILS				
Directorate Providing Service		**Department Providing Service**		
NCC Contact	**Name:**			
	Tel No:			
	E-mail:			
Full description of service				
Customer Order No/Agreement				
Date(s) Service Provided				
NCC Charge Code				
Charge		**VAT (if applicable)**	**Y/N**	**VAT rate**

I can confirm that supporting documentation for this service provision has been retained to substantiate this charge, should follow up debt recovery action be needed.
Please send this form, fully completed, to
accountsreceivable@northumberland.gov.uk

Annex F3

Northumberland County Council
Accounts Receivable

CREDIT MEMO REQUEST FORM

Customer No: **Customer Name:** **Date:**

Customer Address:

Directorate:	<Please Select>		
End User Name:		Extension:	
Authorised:		Designation:	

Town:

County:

Postcode:

Transaction Type:

Credit Proportion: ☐ Full ☐ Part

Line No.	Invoice Details	General Ledger Code	Net Value £	VAT Rate*	Total £
				0	
				0	
				0	
				0	
				0	
**VAT Rate is that which appeared on the original invoice*		TOTAL			

Reason for raising a Credit Memo:

Original Invoice Details:

Invoice No.	Date Raised	Net Value	VAT Rate	Total
			0	

FOR A.R. TEAM USE ONLY
Credit Memo No:
Processed:

Completed requests to be e-mailed to: accountsreceivable@northumberland.gov.uk

Annex F4

WRITE OFF REQUEST FORM

Your Name:		Extension:	
E-mail address:		Directorate:	
Division		Your Position:	

Customer Name:

Customer Address if different from Oracle:

Service/Goods provided (specify dates, amounts): OR See attached copy invoice ☐

Invoice No:		Date Raised:		Date Due:	
Net Value:	£	VAT:	£	Total:	£_____
Type of Debt:	Commercial	Customer No:			

AUTHORISATION TO REQUEST WRITE OFF ☐ Chief Officer's delegated powers	Authorised by:	
☐ Chief Officer's delegated powers with the consent of the Chief Executive and attach approval documents	Position:	
☐ Executive approval - please give approval date and attach approval documents	Extension:	

Signed: **Designation:**

Dated:

Telephone contact with the Customer: Yes If 'Yes' please specify: Customer disputed the debt in full

Justification for Write Off: (Attach evidence e.g. bank statements, proof of benefits)

Please mark with X

- ☐ Debt is of nominal value, insufficient to pursue further (less than £50)
- ☐ Unable to locate customer
- ☐ Customer has no income to discharge this debt proof attached
- ☐ Customer is now deceased and insufficient money in the estate to discharge this debt
- ☐ Liquidation of customer (proof attached)
- ☐ Bankruptcy of customer (proof attached)
- ☐ Terms of agreement reached with customer (see attached)
- ☐ Write-off approved by as a goodwill gesture. Reason:
- ☐ Invoice raised against wrong customer. Reason:
- ☐ Invoice raised in error. Please specify (Credit Note is not applicable):
- ☐ Other. Please specify:

I certify that I have attempted to seek payment of the above account. I certify that the information in this form is correct to the best of my knowledge. As attempts at recovery have been unsuccessful, I request this invoice be written off.

Name: **Position:**

Extension: **Dated:**

Temporary Suppression by AR from: **until:**

Signed: **Position:** **Date:**

☐ **Legal use only**	☐ **W/O supported**	☐ **Further information is requested for:**	☐ **W/O not compliant with W/O procedures**

Signed: **Date:**

Annex G

Statutory and Chargeable Debt Policy

1. Policy

This policy covers debt arising from the council carrying out its statutory duties and/or enforcement functions. A variety of legislation covers this debt and a number of examples are given below;

- Building Act 1984 – taking action to prevent injury or damage to property as a result of a dangerous structure
- Housing Act 2004 –works in default to remove hazards from rented accommodation.
- Water Industries Act 1991 testing of private water supplies.
- Highways Act, 1980 - Carrying out emergency repairs to the highway following an accident

Note: the above is illustrative and is not an exhaustive list.

2. Fees and charges for this debt

The nature of this debt generally requires invoicing to take place after the works have been carried out and frequently against those that dispute the debt. Thus, it does not often fit with the standard invoicing and sundry debt recovery approach. Different approaches need to be considered to both secure the debt and if required, recover it.

3. Enforcement

In terms of enforcement, it is not always clear who is the responsible or liable person. Different legislation can identify different people, such as the person responsible for an issue, or the owner of the premises. People's circumstances will be different and their circumstances may change during a case; it is sensible therefore to take a flexible approach and keep available a range of options for recovering a debt.

Options available to recover debt include the use of collection agents and also Court proceedings to obtain a judgment for the debt.

Once a Court judgment is obtained, there are a number of ways this may be enforced, including:

Attachment of Earnings

Deductions are made from the judgment debtor's wages at a rate determined by legislation.

Deductions from Income Support, Job Seeker's Allowance and Employment Support Allowance

Deductions are made from the judgment debtor's benefits at a rate determined by legislation.

Use of Enforcement Agent

Charging Orders

This is a Court order which secures the debt against the judgment debtor's property. A charging order may then be enforced by seeking an order for sale of the property.

Third Party Debt Orders

A Court order against a third party, often (but not necessarily) the judgment debtor's bank or building society, requiring them to pay the judgment debt out of the judgment debtor's funds.

An order to obtain information may be sought from the Court which requires a judgment debtor to attend Court and provide information to a Judge or Court officer about their means and any assets they hold. This may be of assistance in determining how to recover a judgment debt.

Where Court proceedings and other enforcement options are pursued, the Council will seek to recover the costs of the Court / enforcement action against the debtor. Statutory and chargeable debts may often be secured against a property as a financial charge in the Council's Local Land Charges register.

Some debts may be registered as charges with the Land Registry. In some cases, where legislation provides that the debts are charges on "all estates and interests" in a property, the charges will have priority over all existing charges, including mortgages and other loans secured against the property. The authority may also serve a formal demand on the debtor, which allows the authority to enforce the registered charge and act as mortgagee in possession of the property. The property may then be sold, usually at public auction with the proceeds used to pay off debts on a priority basis.

It should also be noted that enforced sale of properties can bring wider benefits to individuals and the community by improving the condition of a property and bringing an empty property back into use. This is often used as an enforcement tool in Private Sector Housing and neighbourhood renewal strategies.

Annex H

Overpaid Salaries and Wages Policy

1. Summary

1.1 Northumberland County Council is required to ensure that employees are paid correctly at all times. If an overpayment of salary or any other payment of public funds occurs for any reason, the Council will recover the overpayment from the employee. Similarly the Council will take steps to correct any underpayment of salary or any other payment to which an employee is entitled.

1.2 If it is considered that an overpayment has been brought about fraudulently, then the matter will be reported to the Council's Audit Section and an investigation carried out under the Council's Counter Fraud Policy.

2. Scope of Policy

2.1 This procedure applies to all employees of the Council and to the employees of those Organisations for whom the Council act as the Payroll Agent.

3. Background

3.1 The purpose of this document is to ensure that there is a consistent approach to the recovery of salary overpayments throughout the Council and its Agency Clients.

3.2 Overpayments are additional and unnecessary charges against service budgets which may never be recovered.

4. Introduction

4.1 This document explains the process in use when a member of staff receives an incorrect payment in their salary.

4.2 This document applies to all employees on a permanent or fixed term contract with Northumberland County Council and all staff on the Agency Payrolls for whom Northumberland County Council act as the Payroll Agent. This document also applies to those staff employed on a casual basis

5. Definitions

5.1 There are several ways in which a member of staff can be incorrectly paid including, and not restricted to:

- An overpayment of salary
- An underpayment of salary
- Payment of incorrect travel or non-travel expenses
- Duplication of a payment
- Deduction made in error

5.2 The definition of an underpayment is where an employee is paid an amount less than their contractual entitlement. Likely causes of an underpayment include but are not restricted to:

- A variation form being submitted after the Employee Services deadline
- A late change of notification
- Incorrect salary banding

5.3 The definition of an overpayment is where an employee or someone who has left employment is paid an amount in excess of contractual entitlement. Likely causes of an overpayment derive from a Service error and include but are not restricted to:

- A termination form not being completed, received or implemented on time
- Late or no notification of sickness absence
- Staff not returning from maternity leave
- An error being made
- A late change notification
- Incorrect salary banding

6. Identification of payment errors

6.1 Payment errors can be identified in several ways:

- A member of Employee Services identifies that an error has occurred
- The employee upon receipt of salary
- The budget manager

6.2 When an error in payment has been identified, action must be taken as quickly as possible to rectify the error

7. Responsibilities of Employee Services

7.1 It is the responsibility of Employee Services to:

- Identify payment errors and advise the employee in a timely manner (normally immediately)
- Confirm in writing the overpayment and where necessary issue a new contract, amendment to contract letter etc.
- Ensure any payment errors are resolved following the appropriate Employee Services procedure
- Ensure the Employee Services Administrator and appropriate line manager are advised of any overpayment situation that occurs

8. Responsibilities of line managers

8.1 It is the responsibility of Line Managers to ensure that

- Paperwork relating to changes in pay or termination etc. is submitted to Employee Services in a timely manner
- When an error in payment is identified the member of staff concerned is supported and appropriate action taken to resolve the situation
- Review on a regular basis all salaries charged to their cost centre

9. Responsibilities of employees

9.1 **It is the responsibility of individual employees to**

- Ensure that they understand their salary as agreed contractually
- Raise any anomalies with their pay in a timely manner using the Employee Services escalation process set out at item **10** below.

10. Employee Services' escalation process for employees

10.1 For employees, the Employee Services' process is

- All payroll queries must be logged with the relevant Employee Services Administrator
- Where an employee has received no pay or less than 75% of basic pay, Employee Services will respond within 24 hours. Underpayments will normally be corrected on the next pay day, or in extreme circumstances immediately.
- Calls relating to overpayments will be responded to within 72 hours.
- All other queries will be responded to within 5 working days.
- If the query has not been resolved within the agreed timescale, individuals should contact Employee Services again and speak with the Employee Services Administrator to check the status
- Where a response is still not received the query should be escalated by contacting the relevant Employee Services Team Leader
- If within 24 hours the query is still not resolved or no call back is received, individuals should complete an Employee Services Query Log form, which is downloadable from the Employee Services intranet page, and e-mail the Employee Services Manager Lorraine.Summers@Northumberland.gov.uk
- The information provided will be used to support the monthly Employee Services client meetings held within the Employee Services Management Team.

11. Process for resolving payment errors

11.1 The exact nature of the payment error will be investigated by an Employee Services Senior Administrator who will calculate the amount of the payment error.

11.2 Once the amount has been verified as correct by a Team Leader the employee will be notified in writing, this will include an apology and a brief explanation as to how the error occurred.

11.3 Current employees will have overpayments recovered from their gross pay. The repayment period will normally be equal to the period over which the overpayment occurred and remaining balance will be recovered from their final pay.

11.4 If this repayment period is not acceptable to the employee or in cases where the period of overpayment is longer and therefore greater, the Employee Services Manager can agree a suitable repayment period.

11.5 Decisions regarding the duration of this extended period for repayment of an overpayment will take into consideration a number of factors. Issues such as the amount of overpayment, personal circumstances which could lead to undue financial hardship, duration of contract (if not permanent) proximity to retirement, redundancy or maternity leave are all factors which will be considered and form part of the decision making process. The employee at this stage may also be asked to complete a financial statement detailing their monthly income and outgoings.

11.6 Where necessary the Employee Services Manager will conduct a full investigation of the payment error. A full investigation would be required if for example there has been an over/underpayment over a long period of time, where there is concern that fraudulent activity may have taken place or where there is a significant over or under payment.

11.7 Internal audit will be notified of any suspected fraud and also where systems improvements are recommended to avoid any repetition.

11.8 Where a detailed investigation is not required, this stage of the process will be completed within 5 days of the discovery of the payment error, and the employee contacted direct by telephone. An agreed payment/repayment plan will be confirmed in writing to the employee.

11.9 If within 14 days there has been no telephone contact with the employee and no response to the initial letter, Employee Services will send a second letter to the employee. Employee Services will also contact the Line Manager and make every effort to speak to the employee in person.

11.10 If there is no response to the second letter within 7 days, Employee Services will make arrangements to commence recovery from the next available pay interval as per the Statement of Particulars which states “payment is made on the understanding that any overpayment will be reclaimed”.

12. Leavers

12.1 Where an overpayment has occurred, and an employee leaves, during or before the start of an agreed repayment period, the balance of the overpayment will be taken from their final salary. If the overpayment is greater than the final salary or notification of leaving is received after the final salary has been paid, the repayment process for ex-employees will be used.

12.2 Where an underpayment has occurred and an employee leaves, full payment will be made in their final salary.

13. Ex-employees

13.1 When a payment error is identified for an employee who has already left the organisation, the gross and net figure of the overpayment will be calculated. Employee Services will endeavour to contact the individual direct by telephone to explain the circumstances surrounding the error and request a payment to be made for the outstanding amount.

13.2 If the former employee is unable to repay the overpayment in full then a subsequent invoice will be raised by the Accounts Receivable Team.

13.3 Once an agreement to repay by instalments has been made between the former employee and the Accounts Receivable Team and subsequently stops, the normal escalation process will be followed.

13.4 Overpayments will be processed through the payroll once a former employee has been advised of the error unless they left in a previous tax year. In this case Employee Services will correct by a manual adjustment and inform HM Revenue & Customs accordingly.

14. Reporting

14.1 Employee Services will maintain a spreadsheet detailing all payment errors. This will include details of the resolution period, last payroll action taken and the reason for the payment error.

15. Complaints

15.1 Any complaints regarding the processing of a payment error can be made in two ways:

- Individuals could escalate pay issues using the escalation process, see 10 above, including the completion of a Payroll Query Escalation Log Form which is available on the Employee Services intranet page; or
- Individuals can also write to:

  Employee Services Manager
  Northumberland County Council
  County Hall
  Morpeth
  Northumberland
  NE61 2EF

Annex I

Bankruptcy Policy

Purpose of document

This policy covers debts owed to the Council. Those debts include council tax, non-domestic rates, sundry debts and housing benefit overpayments. The Council is committed to using the most effective recovery methods available to it, and this policy will ensure that the Council's use of bankruptcy is consistent and complies with the relevant legislation and best practice.

Legislation and Prerequisites to Bankruptcy

The Council Tax (Administration and Enforcement) Regulations 1992 and the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 allow for council tax and non-domestic rate debts of over £5,000, that are the subject of liability orders, to be taken forward for bankruptcy proceedings in accordance with the provisions of the Insolvency Act 1986.

For sundry debts and housing benefit overpayments bankruptcy proceedings may be taken against debtors who owe in excess of £5,000 where a County Court Judgement has been granted in respect of the debt.

The consequences can be severe and can involve the loss of the debtor's home or business, and considerable legal and Trustee's costs can be incurred. The level of costs will reflect the complexity of the matters involved, and the extent to which the debtor co-operates with the Trustee who is administering the bankruptcy estate.

Bankruptcy action takes place in the debtor's local County Court with bankruptcy jurisdiction unless the debtor resides in London, in which case the action takes place in the High Court or the Central London County Court.

Administration

The Corporate Debt Team will manage the administration of bankruptcy cases and proceedings. Assistance may be sought from Legal Services.

When Bankruptcy Action may be taken

The Recovery Section may consider using insolvency proceedings in the following circumstances (the list is not exhaustive):

- Where the debt exceeds £5,000 and the debtor appears to have sufficient assets or equity to ensure the debt is recoverable by the Official Receiver or the Trustee in Bankruptcy.
- Where the debtor is not making regular and mutually agreed payments that are sufficient to clear accruing debt and arrears within a reasonable and acceptable timescale.
- Where other methods of recovery are considered inappropriate or have failed and bankruptcy action appears to be a fair and proportionate course of action to recover from a particular debtor.
- Where the debt has arisen as a result of fraud.
- Where bankruptcy action may elicit payment from specific groups of debtors, for example company directors, those for whom a bankruptcy order may affect their employment, professional status or ability to practice, self-employed people and those people needing finance.

Recording Information and Decisions

A Bankruptcy Checklist and log of events will be maintained throughout the process to ensure that bankruptcy remains the most appropriate course of action.

Decision Making (1)

Prior to commencing bankruptcy proceedings enquiries will be made of the Revenues and Benefits Sections' computerised systems to:

i) Establish a debt history and whether any previous debts have been collected within a reasonable period by other means.
ii) Ensure that all known benefits, discounts and exemptions have been granted based on the information held.
iii) Based on information held, establish whether the debtor may be vulnerable or unable to deal with their day to day financial matters.

Contact will also be made with Adult Social Care to ascertain if the debtor is known to them and therefore may be vulnerable. If the debtor is currently receiving any Adult Social Care services (or has previously received Adult Social Care services) Adult Social Care will provide the contact details for their Key Worker. Further enquiries will be made with the Key Worker to establish if the debtor may be vulnerable by way of, for example, age, mental illness, serious learning difficulties or where it is known that they are unable to deal with their affairs. Should it be apparent that debtor has such difficulties then consideration will be given to whether the help of other agencies should be sought, and to the appropriateness of pursuing an alternative course of action.

Decision Making (2)

If records held and enquiries with Adult Social Care do not indicate that the debtor may be vulnerable then enquiries will be made with a credit reference agency and the Land Registry to establish information about the debtor's financial standing and ownership of property.

Decision Making (3)

In order to assist with the decision as to the appropriateness of bankruptcy a letter will be issued to the debtor's home address (and/or business address if known) requesting the debtor to pay in full, advising that bankruptcy proceedings are being considered, outlining the effect and likely high costs of bankruptcy and advising the debtor to seek independent advice. A copy of the Insolvency Service's publication *Guide to Bankruptcy* will be given to the debtor.

Where payment in full cannot be made, financial information and a proposal for repayment will be requested. If payment in full is not made but financial information is provided it may result in either acceptance of a proposal for repayment, an alternative course of action being taken, or pursuing bankruptcy proceedings. The reasons for the decision will be recorded.

In the event that a response from the debtor establishes that the debtor may be vulnerable then details of the perceived vulnerability will be recorded. Further enquiries will be made to check that council tax benefit/support, discounts and exemptions have been applied for, for possible referral to other agencies, and to determine an appropriate method of recovery. The debtor will be notified in writing of any decisions taken.

Decision Making (4)

Where a decision is taken to commence bankruptcy proceedings a letter will be sent to the debtor setting out the decision, warning them again of the consequences and high costs of bankruptcy, advising them to seek independent advice, and warning them of the intention to issue a Statutory Demand after 7 days unless the debt is paid in full.

Statutory Demand

A Statutory Demand is a formal demand for payment issued by the creditor to the debtor, and service of the Statutory Demand upon the debtor is the first formal stage in bankruptcy proceedings.

Guidance on service requirements are set out in the Insolvency Proceedings Court Practice Direction. In addition to the requirements of the Practice Direction, a letter will be issued with the Statutory Demand setting out the intentions of the Council and what the debtor needs to do to comply with it.

The debtor has the opportunity to contact the Council at this stage and, depending on information supplied, it may still be possible to consider a short term repayment arrangement or alternative recovery action. The debtor also has the right to apply to the County Court to have the Statutory Demand set aside.

Bankruptcy Petition

The Council may present a Creditor’s Bankruptcy Petition to the County Court within four months of the date of service of the Statutory Demand if the debtor has not complied with it, or if alternative arrangements cannot be agreed following service of the Statutory Demand. Prior to presentation of the Petition further enquiries will be made with Adult Social Care to establish whether the debtor has become known to them during the process, in which case the action will be reconsidered. The Council is required to serve the Petition upon the debtor and guidance for service requirements are set out in the Insolvency Proceedings Court Practice Direction.

At this stage the debtor is required to pay the debt in full before the hearing of the Petition at Court otherwise the Court will be asked to make a Bankruptcy Order. However, the Council will not object to a short adjournment of the proceedings if the debtor provides the Court with evidence that they will be able to pay in full within a very short period.

If, between the Petition being presented to the Court and the hearing of the Petition, it becomes known that the debtor does not have the capacity to deal with the matter, then full consideration will be given to seeking an adjournment of the proceedings to enable both the debtor and the Council to obtain further advice.

Trustees in Bankruptcy

When a Bankruptcy Order is made the Official Receiver is immediately appointed Trustee in Bankruptcy. In the event of there being realisable assets in the bankruptcy estate then it is likely that an Insolvency Practitioner will be appointed Trustee in Bankruptcy to deal with the bankrupt’s estate and creditors.

When the Council is the petitioning creditor in a bankruptcy we will nominate a Trustee in Bankruptcy who is local and easily accessible by the debtor. The appointment of a local and easily accessible Trustee will enable Officers to attend meetings of creditors when necessary.

However, the ultimate decision to appoint the Trustee in Bankruptcy is not that of the Council.

Annex J

Enforcement Agent Code of Practice for Council Tax and National Non-Domestic Rates

Introduction

This code of practice outlines the way that internal enforcement agents or external enforcement agent companies collecting local taxation debts on behalf of Northumberland County Council should conduct themselves. It includes:

- The professional standards they must adhere to;
- The procedures they must follow;
- Guidance on how quickly the money should be repaid; and
- When it is inappropriate to take action.

Professional standards

The Council and the enforcement agent company will ensure that all enforcement agents, employees, contractors and agents have an appropriate knowledge and understanding of all relevant legislation, case law and powers, and at all times act in accordance with them. The enforcement agent must comply with the principles of the Data Protection Act 1998 and any other relevant legislation.

Enforcement agents and employees, contractors and agents of the enforcement agent firm must be aware that they represent the Council in their dealings with debtors. They should at all times act lawfully and in accordance with the provisions of prevailing local taxation legislation. They must also act in a responsible, professional and courteous manner and be aware that their behaviour, appearance and attitude have a great influence on the success of the debt recovery process.

External enforcement agent firms must at all times:

- Hold up to date professional indemnity insurance, ensuring the fullest indemnity against legal proceedings resulting in compensation awards due to illegal or irregular actions. Details of such insurance must be provided to the Council on request.
- Maintain a separate client bank account for monies received from debtors, evidence of which must be supplied to the Council on demand.

The enforcement agent must be firm but polite and courteous at all times when dealing with the public. They must avoid being provoked by vexatious debtors. In the event of a breach of the peace occurring as a result of an enforcement agent's visit, the Council must be debriefed of the circumstances as soon as practicable.

At all times, enforcement agents must carry:

- Their Enforcement Agent's General Certificate issued by the County Court, which must be shown when visiting a property to take control of goods.
- Written authorisation of the Council to be shown on request

The enforcement agent must at all times make clear to the debtor the purpose of his visit and the fact that he is acting on behalf of, and, as agent of the Council. For Council Tax matters visits to residential addresses must be made after 6am and before 9pm, with no visits on Sundays or bank holidays unless specifically agreed in writing in advance. Visits for Non-Domestic Rate matters may be made to business premises at any time during their hours of opening.

The enforcement agent must hand to the debtor or leave on the premises documentation detailing costs incurred, the legislation relating to taking control of goods and any relevant guidance notes.

Taking Control of Goods

This means entering a debtor's property and listing goods belonging to the debtor, or listing goods belonging to the debtor found on a public highway, that may be removed and sold at auction with the proceeds being paid towards the amount owed to the Council and costs incurred by the enforcement agent. Only an enforcement agent properly vetted and trained by the authorised company and who is certificated by the County Court may take control of goods in respect of liability orders on behalf of the Council.

Upon receipt of any instruction to take control of goods , the enforcement agent company shall ensure that a visit is made totake control of goods only after any pre-agreed letter and telephony strategy has been unsuccessful. Where more than one liability order is held for a debtor, the enforcement agent, where practicable, will attend the property for all liability orders at the same time, with only one enforcement fee being charged. Visits to debtors' premises must be made on different days and at different times of the day.

Arrangements to pay the debt

If, on attendance, contact is made with the debtor, the enforcement agent should attempt to recover the amount in full immediately. If full payment cannot be made immediately, the debtor should be given the opportunity to enter into a Controlled Goods Agreement. A Controlled Goods Agreement allows the debtor to keep the listed goods on their premises provided a suitable payment arrangement is agreed with the enforcement agent and is adhered to. The enforcement agent must explain to the debtor the terms of the Controlled Goods Agreement and the consequences of payment default, and leave a copy the Agreement with them. There must be no administration fees for entering into a payment arrangement.

Enquiries should also be made about possible eligibility for reliefs, discounts, exemptions or Council Tax Support and details of debtors who may potentially be eligible for any reduction must be passed to the Council. Information regarding employment or benefit status should also be obtained and passed to the Council.

Council Tax payment arrangements can be made at the Enforcement Agent's discretion over a period of up to 6 months, or to clear the debt within the financial year, whichever occurs sooner. The repayment period may be extended up to a maximum of 40 weeks if the debtor's circumstances warrant this, and an income and expenditure statement supports it. If an offer for payment extends beyond 40 weeks, and the Enforcement Agent either considers it inappropriate to remove goods or there are exceptional circumstances, the Enforcement Agent must refer the case back to the Council to re-check the records for benefit or discount entitlement etc., and to consider alternative enforcement action before an extended arrangement can be agreed.

Non-Domestic Rate payment arrangements can be made at the enforcement Agent's discretion over a period of up to 3 months. If an offer for payment extends beyond 3 months the Enforcement Agent must refer the case back to the Council to re-check the records before an extended arrangement can be agreed.

When the Enforcement Agent should consider taking no action

The enforcement agent should at all times use his professional judgement to refer a case back to the Council if he considers that, due to the personal circumstances of the debtor, **it would or may be inappropriate to take control of goods**. In particular, where the debtor:

1. Appears to be severely mentally impaired or suffering severe mental confusion.
2. Has young children and severe social deprivation is evident (Council Tax only).
3. Disputes liability or claims to have paid, has applied for Council Tax Support, a discount or any other relief not yet granted.
4. Is heavily pregnant and there are no other adults in the household (Council Tax only).
5. Is in mourning due to recent bereavement of a close family member (within 1 month of death).
6. Is having difficulty communicating due to profound deafness, blindness or language difficulties. In these cases arrangements must be made for provision of the appropriate support in terms of a signer or translation services etc.
7. Is currently unemployed and provides proof that they are in receipt of Income Support or Job Seeker's Allowance (Income Based), and details are obtained of the debtor's National Insurance number (Council Tax only).
8. Has severe long term sickness or illness, or is terminally ill.
9. States that they have raised their case with their local councillor or Member of Parliament.
10. Appears to be vulnerable in any other way.

The enforcement agent must also take no action if it appears that no responsible adult is present at the debtor's address. If an adult is present, the enforcement agent must attempt to establish their identity. If the debtor is unavailable the enforcement agent must ascertain when they will be available. No reference should be made to the nature or purpose of their visit. The enforcement agent must be aware of the sensitive and confidential nature of this work and should take care to ensure that information regarding the debtor's circumstances is not passed on to, or discussed with, a third party except those specified in the Taking Control of Goods Regulations. If children are present at the time of the visit the debtor should be encouraged to ask them to leave the room while the matter is dealt with. Any documents left at the premises when the debtor is not present must be left in a sealed plain envelope, clearly addressed to the debtor and marked strictly private and confidential.

Removing goods from a debtor's premises

Before attending to remove goods, the enforcement agent must give notice to the debtor in accordance with the Taking Control of Goods Regulations and highlight the costs of removing the goods. However, if there are circumstances that indicate that by telling the debtor it may compromise the ability to remove goods (for example if a company is about to go into liquidation, or the debtor is about to abscond) then an application must be made to the Court for permission to attend without giving the required notice. Such a decision and the reasons for the decision must be recorded and the Council notified.

Enforcement agents must not attend a Company Director's personal address when the liability order is not in his specific name, unless that address is the registered office or the trading address of the company.

In the event of the need to remove a debtor's goods, the enforcement agent must obtain the express permission of the Council before doing so unless this happens outside of normal working hours (8.30am to 5.00pm) in which case the enforcement agent may conduct the removal if appropriate to do so.

For Council Tax debts, certain goods are protected under the Taking Control of Goods Regulations 2013, and must not be removed for sale by the enforcement agent. Only goods belonging to the debtor or a co-owner may be seized. Goods subject to hire purchase cannot be removed.

The enforcement agent should not remove goods for sale unless it is anticipated that the sum realised will be sufficient to settle a reasonable proportion of the debt and the costs. However, in some cases e.g. Non-Domestic Rates, the enforcement agent may still remove goods if it is anticipated that the debtor may be about to enter into an insolvency procedure.

Costs charged to the debtor should be strictly in accordance with the provisions of the Taking Control of Goods (Fees) Regulations 2014.

Any goods removed must be transported and stored securely with due care and attention and the appropriate insurance cover must be in place.

The debtor must be notified of the place to which the goods have been removed to. If the debt is paid in full between the removal and the sale of the goods the goods should be made available for collection by the debtor.

When the debtor's goods are removed and sold at public auction, the Council and the debtor must be provided with a full statement which:

- lists the goods sold;
- lists the amount realised;
- lists the costs incurred; and
- details the amount subsequently outstanding or overpaid as appropriate.

Where the enforcement agent is unsuccessful

At least 3 unsuccessful visits must be made to the debtor's address before the case is returned to the Council as unpaid. The visits must be made on different days and at different times and at least one of these visits should be made to the debtor's address outside normal office hours. Documents other than prescribed documents issued to debtors must be agreed with the Council and be in plain English. Documentation must be left at the property at each visit giving details of the date and time of the visit, the debt and charges to date and the name and contact details for the enforcement agent. Any documents left at the premises when the debtor is not present must be left in a sealed plain envelope, clearly addressed to the debtor and marked 'strictly private and confidential'.

Where the enforcement agent is unsuccessful in his attempts to obtain payment or take control of goods and the liability order is to be returned to the Council, he must submit a report clearly showing that the person attending to take control of goods was unable (for whatever reason) to find any or sufficient goods of the debtor to take control of. The report must also give full details of the actions taken by the enforcement agent together with any details ascertained concerning the financial or personal circumstances of the debtor.

Where the debtor has left the property

If the debtor is no longer resident, the enforcement agent should make appropriate, discreet enquiries to ascertain the debtor's date of leaving and new address as well as details of any new occupier. This information must be referred back to the Council. The enforcement agent may visit and take control of goods at the debtor's new address.

Reporting requirements

Payments and payment schedules must be submitted to the Council at a pre-agreed frequency on the agreed day(s). The enforcement agent company must account for all monies received and provide a proper system for dealing with unpaid cheques and recalled credit/debit card payments.

Monthly statistical reports in the agreed format must be submitted to the Council.

Monthly reports must be submitted to the Council for those cases that are still outstanding after six months.

Responsibility

The Corporate Debt Team will be responsible for the operation and monitoring of this Code of Practice and for resolving any complaints from the debtor.

Complaints

Any complaints received will be dealt with in accordance with the Council's Corporate Complaints Procedure.

When a formal complaint is made about the actions of an enforcement agent company the Council will instruct the enforcement agent company to suspend the action for an initial period of 21 days.

The Council will instruct the enforcement agent company to provide a written case report and other relevant information within 5 working days.

A written response will be issued to the complainant in accordance with the time requirements set out in the Council's Corporate Complaints Procedure.

Should the complainant remain dissatisfied with the findings of the investigation then they have the right to have the complaint referred to the Council's Complaints Officer.

Should the complainant still remain unhappy with the response they receive they have the right to contact the Local Government Ombudsman.

The enforcement agent company will maintain an internal complaints procedure overseen by a senior member of staff.

Where the enforcement agent company receives a formal complaint about the actions of their company or one of their staff they must also suspend action to allow an investigation to be conducted in accordance with their complaints procedure. A copy of the complaint and the outcome of any investigation must be provided to the Council electronically within 14 days of receipt of the complaint.

Review

This Code of Conduct will be reviewed annually but may be amended at any time to incorporate new procedures, practices or legislative requirements. External enforcement agent companies will be consulted about any proposed changes.

Citizens Advice have been consulted in the drafting of this policy and will be notified of any amendments as and when they occur.

Revenues and Benefits Rates Relief Policy

Introduction

1. This policy applies to National, Non-Domestic Rates (Business Rates) and provides the framework under which applications for rate relief will be considered.
2. Rate Relief can be either mandatory, discretionary or both and is granted in accordance with the Local Government and Rating Act 1997 and the Local Government Finance Acts 1988 and 2012 (as amended).
3. The policy specifies the factors that will be considered when deciding if an award can be made. Each case will be treated strictly on its merits and all customers will be treated equally and fairly.

Policy Aims

4. The aim of this policy is to ensure consistent and transparent decision making in relation to the discretionary elements of Rate Relief. The policy is intended to provide evidence that the interests of the council tax payer in granting rate relief are well served.
5. Awards should be consistent with wider Council and community objectives and provide greatest support to those organisations with closest alignment with those objectives.
6. This policy applies agreed criteria through a combination of some set awards for certain categories of organisation and a scoring matrix to determine the level of award for others.

Policy

7. The policy relates to awards concerning:
   - Rural Rate Relief
   - Charities and Not for Profit Organisations
   - Hardship Relief
   - Section 44A (relief on the grounds of part occupation)
   - New Build Empty Property Relief
   - Reoccupation Relief

Overview – Discretionary Rate Relief

8. The Council is empowered to offer a range of discretionary reliefs against national, non-domestic (business) rates. The cost of granting relief is borne both by Central Government and the Council and is determined by the type of relief as follows:

Relief Type	Cost to Council	Cost to Govt.
Rural business	50%	50%
Charities – 20% top up to mandatory relief	50%	50%
Not for profit organisations and sports clubs	50%	50%
Hardship	50%	50%
Section 44A Partly Occupied Property	50%	50%
New Build Empty Property	0%	100%
Reoccupation Relief	0%	100%

9. Where relief is granted under Section 47 of the 1988 Act (Discretionary Relief) to organisations that are situated in an area designated as an Enterprise Zone 100% of the cost of relief will be funded by the Government.

10. The legislation that provides these reliefs allows the Council broad opportunity to exercise its discretion in how much to grant and under what circumstances. This discretion is welcomed but presents its own problems in that ratepayers and the general public need to be assured that decisions are taken equitably and openly and that Council money is directed appropriately.

11. To be effective the policy should ensure the greatest community gain from the finite funds the Council has available. The criteria should enable the Council to:

- direct funds in accordance with the Council and community priorities;
- allow transparent and consistent decision making;
- assist businesses/organisations by making clear the criteria that they will be judged against, allowing them to adjust their business or organisational objectives to fit with the aims of the council, should they so wish; and
- provide some protection against dispute

12. The criteria should be reviewed at such time that there is any substantial change in direction for the Council's Corporate Strategy.

13. In each case the applicant ratepayer will be expected to provide financial and other details in support of their application without which the application will be refused.

Rural Rate Relief

14. The Local Government and Rating Act 1997 (as amended) provides for relief to qualifying rural business properties. The relief is provided under two broad categories:

- ***mandatory relief*** - 50% for qualifying rural businesses – sole general store, post office, petrol filling station, public house or any food shop
- ***discretionary relief*** – up to 100% for other rural business or as a top up to mandatory relief.

15. The legislation provides the basic tests for the discretionary relief, though it falls to individual local authorities to establish more detailed awarding criteria should they wish to.

16. The legislation provides for the discretionary relief to be granted where:

- The property falls within an identified rural area. To define this area the Council is required to establish and maintain a Rural Settlement List;
- For applications of relief as a top up to mandatory the rateable value of the post office, general store and food store must be £8,500 or less. For the Public House and Petrol Filling Station the rateable value must be £12,500 or less;
- For any other business the ratable value is not more than the specified threshold - currently £16,500 for discretionary relief only applications;
- The property is not a qualifying general store, post office, petrol filling station, public house etc (these qualify for mandatory relief and can apply for a discretionary top-up);

- The property benefits the local community; and
- It is reasonable to award relief having reference to the council tax payers that part-fund the scheme.

17. Whilst many of these criteria are easily tested the degree of community benefit is subjective. Without judging criteria any decisions may be viewed as arbitrary and become subject to dispute. By specifying the criteria, the Council can direct financial support in a way that meets the objectives of the Corporate Strategy and provides some measure of community benefit and reassurance that the interests of the council tax payer are met.

18. The criteria will enable decisions to be based on the relative worth of a small range of key community benefits.

19. The key criteria, based on community benefits and linking to the Council's priorities and objectives, are:

Community Benefit	Reason for including	Corporate Strategy
Scarcity of service/business provision	Recognise limitations of access to sparse local services	Grow Northumberland's economy
Employment	Providing employment opportunities	Grow Northumberland's economy
Additional community services	Business extends beyond its core activity to support communities	Grow Northumberland's economy
Business aimed at serving local community – within County and up to 5 miles beyond boundary	Helps maintain viability of communities and assists community cohesion whilst recognising that some communities extend beyond the County boundary	Grow Northumberland's economy
Business aimed at tourism and culture	Links to tourism led regeneration and supporting cultural heritage	Grow Northumberland's economy
Provides visitor accommodation	Encourages provision of overnight visitor accommodation and supports tourism led regeneration	Grow Northumberland's economy
Supports healthy/active lifestyles	Encourage healthy activity either by local people or visitors	Promote Health and well being
Provides services to other local business or promotes local produce/products	Supports other local business – strengthens local economy	Grow Northumberland's economy
Provides essential basic community need	Support basic needs of settlement - nursery, dentist, newsagent, hairdresser, repairing garage	Support and enable our residents, families and communities

20. Discretionary relief up to a maximum of 100% of the 50% rates liability will be awarded where the ratepayer is in receipt of mandatory rural relief. Any other rural business not in receipt of rural mandatory relief will be considered for relief up to a maximum of 50% of the rates liability.

21. The award levels criteria are shown at the end of this report together with the award levels in annexes A and B.

Charities and Not For Profit Organisations

22. The Local Government Finance Act 1988 (as amended) provides for relief to charities under Section 43 and not for profit organisations under Section 47. The relief is provided under two broad categories:

- ***Mandatory relief*** - 80% for qualifying charitable organisations and community amateur sports clubs
- ***Discretionary relief*** – up to 100% for not for profit organisations including a top up to mandatory relief. To be eligible for consideration the ratepayer must be a non profit making body and the property used for charitable, philanthropic or religious purposes, or concerned with education, social welfare, science, literature or fine arts, or used wholly or mainly for recreation by a not for profit club or society.

23. The legislation provides basic qualifying criteria. The Council is free to determine the basis for any award itself.

Criteria for Charities and Not For Profit Organisations

24. The criteria shown below and expanded on in annexes A and B are to be applied to all applications that are not automatic awards (see below).

General criteria

25. The following criteria are to be used to determine applications. The criteria are based on establishing community value of the organisation and demonstrating consistency with Corporate Strategy priorities. The criteria support the following Council delivery priorities: Respect and Enhance our Environment; Grow Northumberland's Economy; Empower residents, families and communities; and Promote Community Health and well being.

26. Applications are considered by scoring against the following criteria. Annexes A and B show the weighted scoring and award levels based on that scoring.

Community Benefit	Reason for including
Majority of users/membership from within County or surrounding area (5 miles of boundary)	Target support for local communities but recognise that some communities extend beyond the County boundary
Openness of use/membership	Whilst some limitations may be legitimate, through sporting ability perhaps, broad access should be provided
Encouraging users/membership from particular groups	Provide directed support to the disadvantaged or those requiring greater assistance to access opportunities
Reasonable membership fees	Fees not at a restrictive level
Facilities used by the community/other organisations	Rate relief would provide wider benefits
Affiliation to local or national representative bodies	Demonstrates the standing of the organisation
Education, training, coaching provided	Encourages personal development and increased employment/health prospects
The organisation attracts grant aid or raises income through fund	Be consistent and complementary in support of organisation

Community Benefit	Reason for including
raising	
The service supports or assists in the provision of a service to help the Council to achieve its objectives?	Meets legitimate community need and frees the resources of other organisations. This may be were the need is new and has been identified as a community priority.

Automatic Awards

27. The Council has identified certain types of organisation that make a significant contribution to the County and its residents. In addition to the mandatory relief to which they are entitled and in recognition of the contribution that these organisations make, a 20% top-up of discretionary rate relief will be awarded in all cases. In order to ease the administration of these types of applications the qualifying criteria will be accepted as being met unless the following apply:

    a. The majority of users that benefit are not Northumberland residents
    b. There is a restricted access to the service or facility
    c. The fees/costs or membership are excessive or restricted.

    In such cases a reduction in relief of 5% will be made for each element.

    The organisations that will receive automatic relief are:

    - Village Halls / Community Centres
    - Scouts / Guides / Youth Clubs

    These organisations will be identified from their applications and supporting information.

28. Village Halls / Community Centres

    Village Halls and Community Centres are an important asset within local communities and especially to the rural communities of Northumberland. Supporting these organisations supports the Council's Corporate Strategy in promoting sustainable communities.

29. Scout/Guide/Youth Groups

    These types of organisations provide a valuable framework of education and activities in order to engage the young people of the County to participate in positive activities, which develop their social skills, interests and talents. This supports the Councils objectives.

Exclusions

30. Certain organisations or types of property may meet the essential criteria in order to be able to be able to apply for relief, however, they either do not support the objectives of the Council or it is not in the interest of council tax payers to grant the relief. Applications from the following organisations will, therefore, not be supported in an application to receive top up discretionary relief:

    - Schools, Learning Partnerships, Academies or similar. These organisations are centrally funded through the direct schools grant (these organisations will still be eligible to receive 80% mandatory relief).

- Community Asset Transfer arrangements after 1/4/12 (these organisations will still be eligible to receive 80% mandatory relief). This refers to the transfer of a service or a function that was previously provided by the Council and transferred to a charitable organisation. The Chief Executive shall have the power to waive this decision, in conjunction with the Executive Member for Corporate Resources, where the transfer under the Community Asset Transfer arrangements is seen to positively assist the County Council in achieving its objectives in a more cost-effective way and not to do so could cause unnecessary financial hardship to the community organisation.

- Housing Associations. This exclusion applies to administrative offices but does not include applications in respect of community based projects. These organisations will still be eligible to receive 80% mandatory relief.

- Leisure Centres operated by a Charitable Trust. Granting top up discretionary relief to Charitable Trusts of Leisure Centres can give those organisations a competitive advantage over those leisure / gym providers who do not qualify for relief therefore it is not in the interest of council tax payers. These organisations will still be eligible to receive 80% mandatory relief.

31. All other applications for discretionary relief will be scored in accordance with the Councils rate relief criteria in annexes A and B.

Specific situations

32. It is possible for the nature of the organisation to be at conflict with agreed community and Council objectives, for example, equalities and diversity, health inequalities and/or value for money for the local council tax payer. These conflicts require additional criteria to assist decision-making in specific situations.

33. **Existence of a bar** - A significant feature that should be taken into account in determining any relief is the existence of a bar and the significance of that bar against any other activity of the organisation. It could be viewed as inequitable to the council tax payer to support organisations whose dominant activity is the operation of a bar. Such support would not be consistent with promoting the Health & Wellbeing priority objective.

34. The initial test for the ratepayer, when applying for relief, is to establish the dominant objective of the organisation. For example, the dominant purpose may be to run a bar and premises for meeting purposes, such as a club or institute. Or the operation of a sports club with a bar may be ancillary in purpose to the furtherance of sporting activity.

35. No relief will be granted where the dominant objective of the organisation is the operation of a bar and associated activity.

36. **Charity shops** - Charity shops qualify for 80% relief and are able to apply for a 20% discretionary top up. Charity shops are a feature of most high streets and provide much needed opportunity for income generation for charitable organisations both of a national and local nature and provide a resource for those on low incomes.

37. Charity shops are increasingly competing with the high street at large and an increase in their number may affect the viability of the high street.

38. In accordance with this policy the 20% top up is not awarded for charity shops, with the exception of those shops that are occupied by 'local' charitable organisations in which case the 20% top up is awarded. The following definition of 'local' was agreed by the Executive:

"a charity established for purposes which are directed wholly or mainly to the benefit of residents and users in Northumberland (whether stated in the trusts of the charity or implicit in its purposes)".

39. **Interest groups** - The central premise of rate relief is the value that is achieved for the council tax payer in making such an award. This premise infers local benefit at local cost.

40. Demonstrating local value can be a challenge where the organisation is based locally but has wider interests; regionally or nationally perhaps. Whilst there is value in having the organisation within the County it may be seen as inequitable for the local council tax payer to bear the cost.

41. These organisations can be seen as being the following:

- **Administrative base** – degree of local benefit will depend on geographic area of interest and will range from substantial to minimal benefit. These could be a local trust who seeks to improve the local quality of life down to purely administrative offices for a national organisation.

- **Advocacy organisations** – these groups provide a "voice" on issues affecting a broad range of people across the area in which they operate. They may not provide any specific or direct benefit to the people of Northumberland – their presence in the area is coincidental to their objectives and as such are less supportable in terms of rate relief and the costs that have to be borne by local people

- **Support organisations** – these groups may be focused on specific issues, disability or health conditions across a wide geographic area but they provide tangible and direct benefits to local people. Their position within the County provides local people with greater opportunity than if the organisation were elsewhere and financial support is easier to justify.

42. The support provided to these organisations should be based on the degree of contribution to the County and its communities in accordance with the decision matrix at annex A.

43. Any non-profit making organisation applying for discretionary rate relief (excluding a top up to mandatory relief) will be encouraged to apply for Small Business Rate Relief to reduce the potential cost of discretionary relief to the Council.

44. The legislation requires that a period of one years notice is give to ratepayers where a decision is made to vary the relief awarded where the variation results in the rates liability increasing.

The Localism Act 2011

45. Clause 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 to allow the Council to reduce the business rates of any local ratepayer (not just those that can be eligible for discretionary relief) by way of a local discount. The cost of funding any local discount that is granted will be met by way of a 50/50 split with Central Government.

46. Applications will need to be in writing and consideration will be given on a case by case basis in light of the guidance supplied and the full circumstances of each case.

Hardship Relief

47. Section 49 of the Local Government Finance Act 1988 allows the Council to reduce or remit business rates for any ratepayer that is suffering, or would suffer, hardship without the relief. In granting such relief the Council must consider if it reasonable to do so, and be in the best interests of the council tax payer.

48. Considering applications on the basis of "reasonableness" and "the best interests of the council tax payer" are again subjective and open to suggestions of arbitrary decision making.

49. The guidance provided by the then Office of the Deputy Prime Minister requires that the Council does not adopt a blanket approach and should decide each case on its merits. However, within this guidance, rules can be adopted to direct local decision making.

50. To take account of the wider interests of the council tax payer it is appropriate to base decisions on the contribution of the business to the aims of the Council. In addition the likely sustainability of the business should be considered as it will rarely be in the best interests of the council tax payer to support a failing business in the longer term, particularly if that business makes little contribution to the local economy.

51. Rate relief has a role in regeneration by supporting business within the Business and Enterprise delivery theme of the Council Plan. If relief is applied at the right time, for the business, the return on investment may be shown in the resurgence of the business and job creation or maintenance. Applied too late, not at all, or with too strict a view of hardship, is likely to have an adverse impact on business survival rates and give poor value for the local tax payer.

52. Hardship relief is intended as a short to medium term measure to allow a business to develop, recover or manage a decline.

53. The criteria for determining the community worth of the business should be assessed against evidence of the existence of hardship and the likely future of the business.

54. The following information will be sought to judge hardship and future business prospects:

Factor	Evidence (not exhaustive)	Judgement criteria
Existence of hardship	Accounts or other financial statements	Would the payment of rates cause hardship? Does the business have the funds to pay the rates bill? Is the situation caused by a temporary cash flow problem?
Period of decline/hardship	Accounts or other financial statements	Relief is aimed at the short/medium term
Reasons for current position	Statement on application	Was this caused by the ratepayers own improvidence, through external events, business set-up or some other reason? Does the ratepayer understand the cause of the position?
Actions taken by ratepayer to develop business, halt, reverse or manage decline	Statement on application	Is the ratepayer taking appropriate action? Is there a recovery plan in place? Is there a significant effect on local employment opportunities?
Expected period support required for	Statement on application	Is there an understanding of the future need for support? Is the need for support in the short/mid term only?
Expected outcome	Statement on application	What are the prospects of the business in the short to medium term? Is the business likely to survive if support is given? What are the benefits for the community?
External funding or support available and applied for	Support of Business Link, bank etc	Has the ratepayer sought and applied for help and funding elsewhere? What help and funding has been received?
General trading history	Accounts or other financial statements	Is there a history of adverse trading or of a temporary decline?
Ratepayers history of business success or failure	Statement on application, rating records	Is the ratepayer repeating previous failures?
Is this the sole business of the ratepayer?	Statement on application, rating records	Are other parts of the ratepayers business interests capable of providing support?

55. Awards of relief will be made subject to regular reviews that fit the circumstances of the business.

Partly Occupied Property

56. Section 44A of the Local Government Finance Act 1988 (as amended) provides the Council a discretion to grant relief where it appears that part of a property is unoccupied and will remain so for a 'short time only'.

57. It is not intended that Section 44A be used where part of a property is temporarily not used or its use is temporarily reduced. Instead Section 44A is aimed at situations where there are practical difficulties in occupying or vacating a property in one operation perhaps because new accommodation to which the ratepayer is moving is not fully ready for occupation and it is phased in over a number of weeks or months. Similarly, where a building or buildings become temporarily redundant it might be reasonable to grant relief for the unoccupied part.

58. Where it is proposed that Section 44A discretion is granted an apportionment of the Rateable Value of the occupied and unoccupied parts of the property will be sought from the Valuation Office.

59. Each application will be looked at on its own merit.

60. The cost of funding Section 44A relief will be met by way of a 50/50 split between Central Government and the Council.

New Build Empty Property Relief

61. From 1st October 2013 all new properties completed during the period 1st October 2013 to 30th September 2016 will be exempt from empty property rates for the first 18 months, up to the state aid limits.

62. Each application in writing will be considered on its own merits in line with DCLG guidance and qualifying criteria.

63. The full cost of granting new build empty property relief will be met by the Government.

Reoccupation Relief

64. This relief is a 50% discount from business rates for new occupants of previously unoccupied retail premises up to State Aid De Minimis limits.

65. To qualify the retail premises must meet the following criteria:
    - The premises when last in use where wholly or mainly used for retail purposes;
    - The premises have been unoccupied for a period of 12 months or more immediately before reoccupation;
    - The premises became reoccupied between 1 April 2014 and 31 March 2016; and,
    - The premises are being used for any use except as a betting shop, payday loan shop or pawn brokers.

66. The discount will last for 18 months and be available from 1 April 2014 to 31 March 2016.

67. Relief will be available to all new occupiers of retail premises defined in the DCLG guidance.

68. Applications for relief will need to be in writing and the Council will actively encourage occupiers of retail property to apply.

69. The full cost of granting reoccupation relief will be met by the Government.

Rate Relief Decisions and Appeals

70. Rate relief decisions are delegated to the Business Rates Team, Assistant Revenues Manager and Revenues Manager. Where the cost to the Council of granting relief is between £50,000 and £100,000 decisions are delegated to the Revenues, Benefits and Customer Services Manager and Director of Corporate Resources. Costs in excess of £100,000 are delegated to the Chief Executive.

71. Requests for a review of a decision will be delegated to the Director of Corporate Resources and Revenues, Benefits and Customer Services Manager unless the original decision has been made by those officers whereby the Chief Executive will undertake the review. If the review relates to a case determined by the Chief Executive the relevant Portfolio Holder will carry out the review.

72. Notice will be served on the ratepayer at the time of the award decision limiting discretionary awards to 24 months. The duration of hardship relief awards are made in accordance with the individual circumstances of the application. Relief granted under the new build empty property relief scheme will last for a maximum of 18 months.

73. Where the Government announce a new business rates scheme after this policy has been annually reviewed the Chief Executive will have delegated powers in order to implement the scheme in line with the required legislation and timetable. This policy will then be updated at the next annual review.

Annex A

Discretionary Rate Relief - charities and not for profit organisations

Specific Interest Organisations

					Score
1	What is the organisations service area?	National	Regional	Within Northumberland	
		-10	0	20	
2	Is the organisation and / or its facilities open to or for the benefit of, all members of the community?	No	Limited Restriction	Yes	
		0	5	10	
3	Are the organisation aims and objectives specifically targeted at helping disadvantaged and vulnerable groups?	No	Yes		
		0	10		
4	Does the organisation provide education, training or coaching for its users / members?	None	Limited	Substantial	
		0	5	10	
5	Does the service support or assist in the provision of a service to help the Council achieve its objectives?	No	Limited	Substantial	
		0	10	20	
				Total	

Criteria Scoring

Charitable Organisations				
Not Supported	**5%**	**10%**	**15%**	**20%**
0 - 20	25	30	35	40

Non-Profit Making Organisations				
Not Supported	**25%**	**50%**	**75%**	**100%**
0 - 20	25	30	35	40

Annex B

Discretionary Rate Relief - charities and not for profit organisations

1	Do the majority of members / users come from the County or surrounding area? (5 mile outside boundary)	**<30%**	**30-50%**	**50-70%**	**70%**	
		-10	3	6	10	
2	Is the organisation open to all members of the community?	**Restricted**	**Limited Restriction**	**Open to all**		
		0	5	10		
3	Does the organisation encourage membership / users from a particular group? (Ethnic Minorities, Disabled, Young Persons, OAP's, Working Parents)	**No**	**Some**	**Actively**		
		0	5	10		
4	Are the fees/costs reasonable for the service or facilities provided, which support accessibility and encourage participation / use?	**No**	**Yes**			
		0	10			
5	Is the building used by the organisation available to the community and other organisations?	**No**	**Some Use**	**Substantial**		
		0	3	10		
6	Is the organisation affiliated to a local or national representative body?	**No**	**Yes**			
		0	10			
7	Does the organisation provide education, training or coaching for its users/members?	**None**	**Limited**	**Substantial**		
		0	3	10		
8	Does the organisation attract grant aiding or generate income through fund raising activities or self help?	**No**	**Yes**			
		0	10			
9	Does the service support or assist in the provision of a service to help the Council to achieve its objectives?	**No**	**Yes**			
		0	20			
					Total	

Criteria Scoring and Relief Percentages for Non-Profit Making Organisations

Not Supported										Supported			
Nil				25%			50%			75%			100%
5	10	15	20	25	30	35	40	45	50	55	60	65	66+

Criteria Scoring and Relief Percentages for Charitable Organisations - 20% top up

Not Supported										Supported			
Nil				5%			10%			15%			20%
5	10	15	20	25	30	35	40	45	50	55	60	65	66+

Northumberland County Council

Appendix 3

Inflation Schedule 2017 - 2018

INFLATION SCHEDULE 2017 - 2018

	Adult Services £	Public Health £	Children's Social Care £	Education & Skills £	Corporate Resources £	Human Resources £	Leisure Services £	Local Services & Housing £	Planning & Economy £	Fire & Rescue £	Total £
Incremental Drift	310,590	-	224,340	21,400	119,460	22,250	-	174,810	56,210	26,120	**955,180**
LGO Pension	231,450	-	333,220	55,920	418,220	53,830	-	480,450	114,080	103,550	**1,790,720**
Pay Inflation											
Local Government	130,090	-	160,530	23,320	206,360	23,030	-	258,150	48,040	53,810	**903,330**
Care Trust	177,000	-	340	-	-	-	-	-	-	-	**177,340**
Teachers	-	-	-	-	-	-	-	-	-	-	**-**
Soulbury	-	-	560	2,160	-	-	-	-	-	-	**2,720**
Fire Fighters	-	-	-	-	-	-	-	-	-	91,990	**91,990**
Members Allowances	-	-	-	-	15,300	-	-	-	-	-	**15,300**
Enhanced Pensions	4,350	-	-	5,360	13,650	-	-	2,670	740	210	**26,980**
Other Pay Inflation	-	-	8,370	-	-	-	-	-	-	-	**8,370**
Total Pay Inflation	**311,440**	**-**	**169,800**	**30,840**	**235,310**	**23,030**	**-**	**260,820**	**48,780**	**146,010**	**1,226,030**
Non Pay Inflation											
Gas	6,680	-	4,160	140	140	-	-	19,650	10	3,180	**33,960**
Electricity	7,770	-	6,540	200	-	-	-	149,530	20	7,980	**172,040**
Water	3,300	-	2,340	180	10	-	-	34,470	-	2,860	**43,160**
Vehicle Fuel	-	-	-	-	-	-	-	-	-	-	**-**
Business Rates	360	-	2,150	-	250	-	-	37,990	-	11,090	**51,840**
Council Tax	70	-	40	-	-	-	-	40	-	-	**150**
Insurance (ees)	4,900	-	2,670	1,330	3,460	450	30	52,000	950	4,880	**70,670**
Buildings Insurance	3,470	-	760	-	40	-	8,020	7,720	10	1,080	**21,100**
Insurance (Vehicles)	110	-	-	-	20	-	-	22,540	70	3,030	**25,770**
Concessionary Travel	-	-	-	-	-	-	-	-	85,790	-	**85,790**
Other Non Pay Inflation	-	-	-	-	-	-	-	(300)	-	23,350	**23,050**
Highways Materials	-	-	-	-	-	-	-	178,870	-	-	**178,870**
Total Non Pay Inflation	**26,660**	**-**	**18,660**	**1,850**	**3,920**	**450**	**8,050**	**502,510**	**86,850**	**57,450**	**706,400**
Total	**880,140**	**-**	**746,020**	**110,010**	**776,910**	**99,560**	**8,050**	**1,418,590**	**305,920**	**333,130**	**4,678,330**

Northumberland

Northumberland County Council

Appendix 4

Schedule of Efficiencies 2017-2018

SCHEDULE OF EFFICIENCIES 2017-2018

Description	2017-18 £000
Active Northumberland	
Review of Leisure functions	500
	500
Corporate Resources	
Corporate Resources restructure	490
Information Services support & maintenance contract savings	376
Retender of mobile phone and printing contracts (cross Directorate)	90
Social Fund service redesign	120
Reduction in Enhanced Pension costs	88
Removal of surplus non-pay budgets in Corporate Resources	68
	1,232
Education and Skills	
Increased SLA income from Schools	66
	66
Fire and Rescue Service (inc Public Protection)	
Public Protection internal review	118
Fire & Rescue restructuring and review	376
Civil contingencies - removal of surplus non-staffing budget	6
	500
Human Resources	
Human Resources restructure	215
Health & Safety restructure	50
Removal of surplus Human Resources agency staff budget	34
	299
Chief Executive	
Communications restructure	250
	250
Local Services:	
Technical Services	
Staffing review within Infrastructure Team	41
Unallocated saving within Infrastructure staffing budget	-36
Changes to funding for Northumbria Safer Roads Initiative	106
Neighbourhood Services	
Management restructure	167
Fleet costs - review of vehicle parts, vehicle optomisation and income generation	100
Review of Waste Management Services structure	13
Review of waste fees and charges	200
Increased trading activity and review of charges under SLAs	25

SCHEDULE OF EFFICIENCIES 2017-2018

Review of burial charges	32
Review of cremation charges and working practices	64
Property Services	
Property and Housing restructure	280
Reduced cost of property maintenance provision	100
Lost income from schools as a result of more schools converting to Academies	-30
Housing Services	
Improved HfN waste management arrangements	40
Housing restructure	128
	1,230
Planning and Economy	
Restructure Economy & Inclusion	75
Planning applications fee income	350
Create a Planning Consultancy	39
Concessionary Travel Resettlement	68
	532
Public Health	
Asset Based Community Development	100
	100
Corporate Items	
Increased dividend/interest on loans from Arch	1,000
Street lighting savings	300
	1,300
Overall Total	**6,009**

Northumberland County Council

Appendix 5

Corporate Equality Impact Assessment

NORTHUMBERLAND
Northumberland County Council

Equality Impact Assessment Template

To be completed for all key changes, decisions and proposals. Cite specific data and consultation evidence wherever possible. Further guidance is available at: http://www.northumberland.gov.uk/default.aspx?page=3281

Duties which need to be considered:

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

PART 1 – Overview of the change, decision or proposal

1. Title of the change, decision or proposal:

Budget proposals for 2017-2018 (overall impact assessment)

2. Date of equality impact assessment:

Draft 4 January 2017

3. Brief description of the change, decision or proposal:

Budget proposals for 2017-2018. A two year budget was set last year, for 2016-2017 and 2017-18, therefore many of the proposals that will be implemented during 2017-18, and their impacts, were considered as part of that decision making process. This impact assessment assesses the overall impact of the package of proposals put forward for 2017-2018, addressing any changes to the original schedule that accompanied the last year's report. All individual budget savings proposals have been screened for potential equality implications, and where this screening has identified potential equality impacts, specific impact assessments have been or are being carried out – except in cases where the final decision on whether to proceed with the saving will be taken after the budget round. In those cases, impact assessments will be carried out before final decisions on the implementation of individual proposals are taken, and could potentially lead to decisions that some savings should not be made in their currently-proposed form, but should be achieved in other ways.

Name(s) and role(s) of officer(s) completing the assessment:

Steven Mason, Chief Executive

Daljit Lally, Deputy Chief Executive/Director of Children's Services

Stephen Corlett, Senior Manager Keith Thompson, Rights Team Manager

4. Overall, what are the outcomes of the change, decision or proposal expected to be? (E.g. will it reduce/terminate a low-priority service, maintain service outcomes at reduced cost, or change the balance of funding responsibility for a service which will remain the same?)

The budget proposals will include savings of £6,009,000 during 2017-2018, with impacts on many of the Council's services, and a planned increase in council tax of 4.99%, of which 3% is specifically to provide an estimated £4,500,000 in funding for adult social care.

5. If you judge that this proposal is **not** relevant to some protected characteristics, tick these below (and explain underneath how you have reached this judgement).

   Disability ☐ Sex ☐ Age ☐ Race ☐ Religion ☐ Sexual orientation ☐

   People who have changed gender ☐ Women who are pregnant or have babies ☐

   Employees who are married/in civil partnerships ☒

   Double-click this link to modify the form to match this list

   The characteristics checked above are not relevant because:

Impact assessments carried out to date on the specific proposals have identified no reason to believe that overall budget allocations will have any differential impact on the treatment of employees who are married or in civil partnerships. However further equality impact assessments linked to the implementation of specific budget proposals will be carried out where necessary, and will consider whether there is a possibility of differential impacts. It will remain in principle possible for the allocation of savings to be reviewed after the setting of the Council budget if these assessments show that there is evidence of a relevant differential impact on this group.

PART 2 – Relevance to different Protected Characteristics

Answer these questions both in relation to people who use services and employees

Disability

***Note**: "disabled people" includes people with physical, learning and sensory disabilities, people with a long-term illness, and people with mental health problems. You should consider potential impacts on all of these groups.*

6. What do you know about usage of the services affected by this change, decision or proposal by disabled people, about disabled people's experiences of it, and about any current barriers to access?

All significant Council services within all service areas are used by disabled people. Managers of individual services are expected to ensure that they understand specific issues which arise for disabled users, and to make reasonable adjustments to address any identified barriers to access. Any disabled staff affected by the budget proposals will be supported through the process and any reasonable adjustments required will be made. Discussions will take place to identify any new adjustments or support required depending on the outcome of the process.

7. Could disabled people be disproportionately advantaged or disadvantaged by the change, decision or proposal?

Yes. Disabled people are more likely than others to depend on local authority services to support their quality of life and their ability to live independently, so any major reduction in public spending has the potential to have a particular impact on disabled people. As individual proposals are implemented, for instance reductions in Fire and Rescue Service, specific assessments will be undertaken as the proposals are developed as consideration will need to be given to mitigate against any increased risk for disabled residents. However, given the overall savings required, Members may judge that the impact of the budget proposals are acceptable. To mitigate against adverse impacts on disabled people using adult social care services, the Council will be applying an additional 3% increase in council tax for 2017-2018. Some proposals in the budget report may result in redundancies and there is some evidence that disabled staff may face additional barriers in securing alternative employment. To overcome adverse impact NCC offers a Guaranteed Interview Scheme. This ensures that all disabled members of staff who meet the essential requirements for a post will be shortlisted for interview; they will not be required to meet the desirable requirements. Reasonable adjustments will be made for disabled staff members who need to be relocated.

8. Could the change, decision or proposal affect the ability of disabled people to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No major and widespread impact of this kind is anticipated, though some changes might have some impact on some disabled people. EIAs on individual savings proposals have considered (or will consider) this issue.

9. Could the change, decision or proposal affect public attitudes towards disabled people? (e.g. by increasing or reducing their presence in the community)

No major and widespread impact of this kind is anticipated, though some changes, for instance affecting leisure facilities, might have some impact on some disabled people. EIAs on individual savings proposals have considered (or will consider) this issue.

10. Could the change, decision or proposal make it more or less likely that disabled people will be at risk of harassment or victimisation?

No significant risks of this kind have so far been identified, though the issue will be considered in more detailed EIAs of those proposals on which further work is planned after the budget has been set. The development of safeguarding arrangements focused on identifying harassment or victimisation of disabled people will continue to be an important priority for the Council.

11. If there are risks that disabled people could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

Potential adjustments have been/will be considered in EIAs on individual savings proposals.

12. Are there opportunities to create *positive* impacts for disabled people linked to this change, decision or proposal?

Programmes of change currently taking place, particularly in adult care services, such as improved commissioning, and making greater use of the support available to people in their communities have the potential to create positive impacts, at the same time as meeting increasing demand from existing resources. Changes in provision of Leisure facilities can have a positive impact, for example the high standard of disabled access available within Ashington Leisure centre. Capital spending plans for leisure provide an opportunity to offer these high standards within planned new leisure facilities in Berwick, Morpeth and Blyth. It is Council policy that disabled staff will be offered a guaranteed interview for posts that they meet the essential requirements for (it is not necessary for disabled staff to meet desirable requirements for selection for interview). This policy will be publicised to affected employees. The Managers Guide to supporting disabled staff and the Staff Disability Network Group will be promoted to staff as sources of advice and support.

Sex

13. What do you know about usage of the services affected by this change, decision or proposal by males and females, about their experiences of it, and about any current barriers to access?

Patterns of usage of specific services vary, but in general Council services are used by women more than by men. EIAs on specific savings proposals have considered/will consider more closely the gender balance of their users.

14. Could males or females be disproportionately advantaged or disadvantaged by the change, decision or proposal?

Because of the pattern of usage of Council services, it is likely that any substantial reduction in Council budgets will disproportionately disadvantage women. Women also make up substantially more than half of the Council's directly employed workforce, and the position is likely to be similar across organisations providing

services commissioned by the Council, so any reductions in employment, direct or indirect, as a result of budget savings are likely disproportionately to affect women.

Detailed issues have been/will be considered in EIAs on specific savings proposals, and will be examined further in the course of implementation, where relevant.

15. Could the change, decision or proposal affect the ability of males or females to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No significant issues of this kind have so far been identified, however the need for further impact assessments to support decisions during implementation of the proposals will be considered, and this issue will be further examined where relevant.

16. Could the change, decision or proposal affect public attitudes towards males or females? (e.g. by increasing or reducing their presence in the community)

No significant issues of this kind have so far been identified, however the need for further impact assessment to support decisions during implementation of the proposals will be considered and this issue will be further examined where relevant.

17. Could the change, decision or proposal make it more or less likely that males or females will be at risk of harassment or victimisation?

No significant issues of this kind have so far been identified, however the need for further impact assessment to support decisions during implementation of the proposals will be considered and this issue will be further examined where relevant.

18. If there are risks that males or females could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

The Council has only a limited ability to mitigate the overall impact of budget reductions on women, which is largely a consequence of the wider economic situation, and of decisions taken nationally about how to respond to this. However in considering the specific proposals in the 2017-2018 budget, Members will need to take into account the potential detrimental consequences of budget savings for equality between the sexes. More specific opportunities for reducing disadvantage to women (or possibly, in some cases, to men) have been/will be considered in EIAs for specific savings proposals.

19. Are there opportunities to create *positive* impacts for males or females linked to this change, decision or proposal?

Specific opportunities to create positive impacts in the course of making changes required to achieve savings have been/will be considered in assessing the equality impact of specific proposals.

Age

20. What do you know about usage of the services affected by this change, decision or proposal by people of different age groups, about their experiences of it, and about any current barriers to access?

The age profiles of users of services vary significantly between services. One of the distinctive features of Northumberland as an area is that it has a higher than average proportion of older people in its population, and projects a higher than average increase in this proportion over the coming decade – a change which will affect most Council services.

21. Could people of different age groups be disproportionately advantaged or disadvantaged by the change, decision or proposal?

Yes. Because of the overall pattern of Council expenditure, there are likely to be particularly significant impacts on children and young people and on the oldest age groups. However, when developing detailed plans for implementing savings in 2017-18 that might affect different age groups, for instance the impact on older people of savings in Fire and Rescue Service, specific assessments will be undertaken as the proposals are developed and solutions will be sought which minimise any adverse impacts that are identified during impact assessments.

22. Could the change, decision or proposal affect the ability of people of different age groups to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

This issue will need to be considered carefully in developing some specific proposals for 2017-2018 and if more detailed impact assessments indicate a disproportionate negative impact those proposals will be reviewed.

23. Could the change, decision or proposal affect public attitudes towards people of different age groups? (e.g. by increasing or reducing their presence in the community)

As with participation in public life, and in the context of the same savings proposals, this issue will need to be considered in the course of preparing detailed proposals.

24. Could the change, decision or proposal make it more or less likely that people of different age groups will be at risk of harassment or victimisation?

No significant issues of this kind have so far been identified in impact assessments of specific proposals. However the need for further impact assessment to support decisions during implementation of the proposals will be considered and this issue will be further examined where relevant.

25. If there are risks that people of different age groups could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

Detailed work on the implementation of the savings included in the budget proposals for 2017-2018 will aim to minimise these risks.

26. Are there opportunities to create *positive* impacts for people of different age groups linked to this change, decision or proposal?

Specific opportunities to create positive impacts in the course of making changes required to achieve savings have been/will be considered in assessing the equality impact of each specific proposal.

Race

***Note**: For the purposes of the Act 'race' includes colour, nationality and ethnic or national origins.*

27. What do you know about usage of the services affected by this change, decision or proposal by people of different racial groups, about their experiences of it, and about any current barriers to access?

Because of the demographic make-up of the County, none of the Council's services spends a substantial proportion of its budget in ways which have a clear differential impact on specific racial groups. The diverse and dispersed nature of the County's minority populations mean that statistics on service usage are not easy to interpret, but there is no current reason to believe that take-up of major services is disproportionately low in any racial group, though there can at times be issues about the availability of culturally appropriate services, because of the lack of substantial groups of potential users for these. There are also some specific issues about support for gypsies and travellers, and about the response to increases in recent years in economic migration to the County, particularly from Eastern Europe – where relevant, these have been/will be considered in the EIAs for specific budget proposals.

28. Could people of different racial groups be disproportionately advantaged or disadvantaged by the change, decision or proposal?

No significant differential impact on specific racial groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

29. Could the change, decision or proposal affect the ability of people of different racial groups to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No significant differential impact on specific racial groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

30. Could the change, decision or proposal affect public attitudes towards people of different racial groups? (e.g. by increasing or reducing their presence in the community)

No significant differential impact on specific racial groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

31. Could the change, decision or proposal make it more or less likely that people of different racial groups will be at risk of harassment or victimisation?

No significant differential impact on specific racial groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

32. If there are risks that people of different racial groups could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

It does not currently appear likely that there will be disproportionate disadvantage to any group, but this issue has been/will be considered further in EIAs for specific savings proposals.

33. Are there opportunities to create *positive* impacts for people of different racial groups linked to this change, decision or proposal?

This issue will need to be considered in planning the implementation of specific budget proposals. The continuing development of personal budgets across a range of adult and children's services offers a specific opportunity to empower people to arrange culturally appropriate forms of support.

Religion or belief

Note: *In the Equality Act, religion includes any religion. It also includes a lack of religion. Belief means any religious or philosophical belief or a lack of such belief.*

34. What do you know about usage of the services affected by this change, decision or proposal by people with different religions or beliefs, about their experiences of it, and about any current barriers to access?

In some Council services, particularly in education, but also to some extent in care services, religious organisations provide significant services. In some cases, these organisations give preference to adherents of a specific religion. The overall impact of current arrangements is likely to be that people of some particular faiths are in some circumstances slightly advantaged compared to those of other faiths or who are not religious.

35. Could people with different religions or beliefs be disproportionately advantaged or disadvantaged by the change, decision or proposal?

No issues have currently been identified, though the question will be considered during further development of individual savings proposals.

36. Could the change, decision or proposal affect the ability of people with different religions or beliefs to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No significant differential impact on specific religious or belief groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

37. Could the change, decision or proposal affect public attitudes towards people with different religions or beliefs? (e.g. by increasing or reducing their presence in the community)

No significant differential impact on specific religious or belief groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

38. Could the change, decision or proposal make it more or less likely that people with different religions or beliefs will be at risk of harassment or victimisation?

No significant differential impact on specific religious or belief groups has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

39. If there are risks that people with different religions or beliefs could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

No significant differential impact on specific religious or belief groups has been identified in preparing the budget. If further EIAs linked to the implementation of specific budget proposals identify differential impacts, they will need to consider whether there are reasonable steps that could be taken to reduce these.

40. Are there opportunities to create *positive* impacts for people with different religions or beliefs linked to this change, decision or proposal?

Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue.

Sexual Orientation

Note: The Act protects bisexual, gay, heterosexual and lesbian people.

41. What do you know about usage of the services affected by this change, decision or proposal by people with different sexual orientations, about their experiences of it, and about any current barriers to access?

We have limited information about differences in overall usage of services by sexual orientation. It is probable that lesbian, gay and bisexual (LGB) people, and in particular gay men, are less likely to be parents making use of children's services than other groups, and it has been suggested that LGB people may also be likely to have more limited sources of family support than other groups if they need care, and might therefore have disproportionate need for publicly-funded care services. Sexual orientation also can also affect health and therefore care needs – for instance LGB people are statistically more likely to have mental health or substance misuse problems, and gay men remain more at risk of HIV infection than heterosexual men, though numbers of people requiring support for that reason remain low in Northumberland. Otherwise, differences in the experiences of people of different sexual orientations are likely in general to be concerned with the culture of services, and in some cases of other users of services, rather than being directly connected with levels of spending.

42. Could people with different sexual orientations be disproportionately advantaged or disadvantaged by the change, decision or proposal?

The budget proposals planned for 2017-2018 currently appear unlikely to have a differential impact. Where necessary, further assessment of the impact on people with different sexual orientations will be linked to the implementation of specific budget proposals.

43. Could the change, decision or proposal affect the ability of people with different sexual orientations to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No significant differential impact on people of different sexual orientations has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

44. Could the change, decision or proposal affect public attitudes towards people with different sexual orientations? (e.g. by increasing or reducing their presence in the community)

No significant differential impact on people of different sexual orientations has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

45. Could the change, decision or proposal make it more or less likely that people with different sexual orientations will be at risk of harassment or victimisation?

No significant differential impact on people of different sexual orientations has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will need to consider whether there is a possibility of differential impacts.

46. If there are risks that people with different sexual orientations could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

If EIAs linked to the implementation of specific budget proposals identify differential impacts, they will need to consider whether there are reasonable steps that could be taken to reduce these.

47. Are there opportunities to create *positive* impacts for people with different sexual orientations linked to this change, decision or proposal?

No specific opportunities linked to budget savings have so far been identified; this issue will need to be considered where relevant in developing detailed proposals.

Gender Reassignment

Note: The Act provides protection for transsexual people. A transsexual person is someone who proposes to, starts or has completed a process to change his or her gender.

48. What do you know about usage of the services affected by this change, decision or proposal by transsexual people, about their experiences of it, and about any current barriers to access?

Numbers of transgender people are believed to be very low as a proportion of the users of any Council service. While there are a wide range of barriers to access that can arise for people in this protected group, as a result either of prejudice or of rules and systems based on the assumption of fixed gender, it seems unlikely that any Council services will incur spending on meeting the needs of this protected group which is sufficiently significant in relation to overall budgets to affect the overall budget settlement for any Council Group, and none of the services affected by savings proposals has been identified as likely to have a significant differential impact on this group.

49. Could transsexual people be disproportionately advantaged or disadvantaged by the change, decision or proposal?

No significant differential impact on transsexual people has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue. It would in principle be possible to reconsider the balance of savings if these specific EIAs revealed issues which could not be addressed within them; however this does not appear likely to be necessary.

50. Could the change, decision or proposal affect the ability of transsexual people to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No significant differential impact on transsexual people has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue. It would in principle be possible to reconsider the balance of savings if these specific EIAs revealed issues which could not be addressed within them; however this does not appear likely to be necessary.

51. Could the change, decision or proposal affect public attitudes towards transsexual people? (e.g. by increasing or reducing their presence in the community)

No significant differential impact on transsexual people has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue. It would in principle be possible to reconsider the balance of savings if these specific EIAs revealed issues which could not be addressed within them; however this does not appear likely to be necessary.

52. Could the change, decision or proposal make it more or less likely that transsexual people will be at risk of harassment or victimisation?

No significant differential impact on transsexual people has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue. It would in principle be possible to reconsider the balance of savings if these specific EIAs revealed issues which could not be addressed within them; however this does not appear likely to be necessary.

53. If there are risks that transsexual people could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

No significant differential impact on transsexual people has been identified in preparing the budget. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider this issue. It would in principle be possible to reconsider the balance of savings if these specific EIAs revealed issues which could not be addressed within them; however this does not appear likely to be necessary.

54. Are there opportunities to create *positive* impacts for transsexual people linked to this change, decision or proposal?

This issue will need to be considered in carrying out further EIAs required to support the implementation of specific budget proposals.

Pregnancy and Maternity

Note: the law covers pregnant women or those who have given birth within the last 26 weeks, and those who are breast feeding.

55. What do you know about usage of the services affected by this change, decision or proposal by pregnant women and those who have children under 26 weeks, about their experiences of it, and about any current barriers to access?

Some specific Council services are particularly relevant to pregnant women and women with young babies. Although no general issues have been identified within the budget proposals, there may be specific issues which need to be considered when assessing the impact of individual proposals as they are developed.

56. Could pregnant women and those with children under 26 weeks be disproportionately advantaged or disadvantaged by the change, decision or proposal?

There is a possibility that this group could be disproportionately disadvantaged however specific issues will be considered when assessing the impact of individual proposals as they are developed.

57. Could the change, decision or proposal affect the ability of pregnant women or those with children under 26 weeks participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

There is a possibility that some proposed savings could have some impact. Detailed EIAs on individual savings have considered or will consider this issue.

58. Could the change, decision or proposal affect public attitudes towards pregnant women or those with children under 26 weeks? (e.g. by increasing or reducing their presence in the community)

No significant risk has been identified. However, where relevant, further detailed EIAs on individual savings will consider this issue.

59. Could the change, decision or proposal make it more or less likely that pregnancy women or those with children under 26 weeks will be at risk of harassment or victimisation?

No significant risk has been identified. However, where relevant, further detailed EIAs on individual savings will consider this issue.

60. If there are risks that pregnant women or those with children under 26 weeks could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

This issue will need to be considered where relevant in carrying out detailed EIAs required to support the implementation of specific budget proposals.

61. Are there opportunities to create *positive* impacts for pregnant women or those with children under 26 weeks linked to this change, decision or proposal?

This issue will need to be considered where relevant in carrying out detailed EIAs required to support the implementation of specific budget proposals.

Human Rights

65. Could the change, decision or proposal impact on human rights? (e.g. the right to respect for private and family life, the right to a fair hearing and the right to education)

Human rights issues have been considered in EIAs of specific budget proposals, and no unacceptable implications have been identified. Where necessary, further EIAs linked to the implementation of specific budget proposals will consider potential human rights issues. It would in principle be possible to review the overall balance of the budget savings if these specific EIAs revealed human rights issues which could not be addressed within them; however this does not appear likely to be necessary

PART 3 - Course of Action

66. Based on a consideration of all the potential impacts, tick one of the following as an overall summary of the outcome of this assessment:

☐	The equality analysis has not identified any potential for discrimination or adverse impact and all opportunities to promote equality have been taken.
☐	The equality analysis has identified risks or opportunities to promote better equality; the change, decision or proposal will be adjusted to avoid risks and ensure that opportunities are taken.
☒	The equality analysis has identified risks to equality which will not be eliminated, and/or opportunities to promote better equality which will not be taken. Acceptance of these is reasonable and proportionate, given the objectives of the change, decision or proposal, and its overall financial and policy context.
☐	The equality analysis shows that the change, decision or proposal would lead to actual or potential unlawful discrimination, or would conflict with the Council's positive duties to an extent which is disproportionate to its objectives. It should not be adopted in its current form.

67. Explain how you have reached the judgement ticked above, and summarise any steps which will be taken to reduce negative or enhance positive impacts on equality.

It does not appear possible to achieve substantial budget savings without some detrimental effect on people in protected groups, because one of the functions of many public services is to provide additional support to disadvantaged groups. However there are opportunities to make budget savings in ways which minimise these impacts, and which contribute to making changes in services which have some positive aspects for protected groups. The opportunity to increase council tax by an additional 3% has been taken to help reduce the impact on services used by older and disabled people.

The Council’s approach will continue to be to address equality and human rights issues at a number of levels:

- This impact assessment will support the Council's decisions about the budget for each Group, the overall level of the budget, and the specific savings proposals included in the final budget.
- Individual EIAs have taken place on each savings proposal included in the Council's budget, other than proposals which will be developed more fully following further consultation and review, and proposals which were assessed at a screening stage as having no significant potential impact on equality or human rights -- for instance because they are concerned purely with improving technical efficiency.
- Where the intention is to develop proposals more fully after the budget has been set, or where there are significant further decisions to be taken in the course of implementation of any of the budget proposals, the need for further EIAs will be considered. If any of these identifies a potential need to revise either budget decisions within a Group budget or the overall balance of savings between Groups, this will be considered through the Council's usual decision-making processes.

Where the Council has specific statutory duties to individuals in protected groups –for instance its duties to disabled people under social services legislation – it will continue to fulfil these duties, even if the overall impact requires changes to the budgets which have been set for specific services or Groups (though the first options considered will usually be budget adjustments within a Group)

PART 4 - Ongoing Monitoring

68. What are your plans to monitor the actual impact of the implementation of the change, decision or proposal on equality of opportunity? (include action points and timescales)

Monitoring arrangements have been/will be considered in EIAs for specific budget proposals and service changes. The Council carries out an annual strategic equality analysis, which provides a regular overview of significant equalities issues across services, including any issues which emerge as a result of budget changes.

PART 5 - Authorisation

69. Name of Head of Service and Date Approved

Steven Mason, Chief Executive

Once completed, send your full EIA to: Keith.Thompson@northumberland.gov.uk.

Northumberland

Northumberland County Council

Appendix 6

Schedule of Reserves and Provisions

Schedule of Reserves and Provisions

Description	Balance at 1 April 2016	Estimated (Increase) / decrease	Surplus following review	Forecast balance at 31 March 2017
General Reserves / Balances	**£000**	**£000**	**£000**	**£000**
General Fund Reserve	(31,390)	(87)	0	(31,477)
General Fund Reserve - Ring fenced to Adults	(5,462)	5,462	0	0
Total General Reserve / Balances	**(36,852)**	**5,375**	**0**	**(31,477)**
Ring Fenced Reserves / Balances				
HRA	(17,809)	(4,257)	0	(22,066)
Major Repairs Reserve	(991)	991	0	0
Total Ring Fenced Reserves / Balances	**(18,800)**	**(3,266)**	**0**	**(22,066)**
Specific Reserves / Balances				
Capital Receipts - GF	(281)	281	0	0
Capital Receipts - HRA	(56)	7	0	(49)
Capital Grants Unapplied	(25,036)	13,000	0	(12,036)
Total Specific Reserves / Balances	**(25,373)**	**13,288**	**0**	**(12,085)**
Earmarked Reserves				
Balances held by schools	(8,920)	2,556	0	(6,364)
Estates Rationlisation	(15,648)	2,156	0	(13,492)
Homefinders	(40)	40	0	0
Insurance Reserve	(5,837)	0	0	(5,837)
Invest to Save	(3,545)	2,607	0	(938)
Local Authority Mortgage Scheme-default	(376)	0	0	(376)
Market Traders Levy	(7)	1	0	(6)
NCC Economic Regeneration Reserve	(82)			(82)
Planning Delivery Grant	(612)	232	0	(380)
Revenue Grants	(9,508)	508	0	(9,000)
Rural Growth Network	(62)			(62)
Section 106 Reserve	(2,144)			(2,144)
Severe Weather Reserve	(2,500)	0	0	(2,500)
Strategic Management Reserve	(48,124)	0	0	(48,124)
ADC Section 106 Monies	(83)	2		(81)
ADC Parks & Open Spaces	(75)	11	0	(64)
Total Earmarked Reserves	**(97,563)**	**8,113**	**0**	**(89,450)**
Total Usable Reserves	**(178,588)**	**23,510**	**0**	**(155,078)**
Provision				
Redundancy Costs	(309)	309	0	0
Unequal Pay Back Pay	(557)	557	0	0
Accumulated Absences - GF	(4,319)	0	0	(4,319)
Accumulated Absences - HRA	(67)	0	0	(67)
MMI Liability	(600)	0	0	(600)
Repairs & Maintenance (Ford Castle)	(6,171)	71		(6,100)
NNDR Appeals	(3,990)	(1,500)	0	(5,490)
Estate Rationalisation	(2,254)	246	0	(2,008)
GB Building Solutions	(354)	354	0	0
Total Provisions	**(18,621)**	**37**	**0**	**(18,584)**
Total Reserves and Provisions	**(197,209)**	**23,547**	**0**	**(173,662)**

Northumberland County Council

Appendix 7

Housing Revenue Account

HOUSING REVENUE ACCOUNT

	HRA MTFP 2016-2022							HRA 30 Year Business Plan				
	2016-2017 Estimated Outturn £000	2017-2018 Projection £000	2018-2019 Projection £000	2019-2020 Projection £000	2020-2021 Projection £000	2021-2022 Projection £000		2026-2027 Projection £000	2031-2032 Projection £000	2036-2037 Projection £000	2041-2042 Projection £000	2046-2047 Projection £000
Income												
Dwelling Rents (Gross)	30,935	30,601	30,221	29,807	30,017	30,255		32,276	35,530	39,112	43,056	47,467
Voids	-464	-459	-453	-447	-450	-454		-484	-533	-587	-646	-712
Non Dwelling Income	2,190	2,037	2,057	2,078	2,099	2,120		2,270	2,526	2,852	3,220	3,636
Interest on balances and investments	80	109	85	91	162	167		174	185	205	228	248
Total Income	**32,741**	**32,288**	**31,910**	**31,529**	**31,828**	**32,088**		**34,236**	**37,708**	**41,582**	**45,858**	**50,639**
Expenditure												
Repairs and Maintenance	-7,244	-7,623	-7,705	-7,892	-8,084	-8,280		-9,338	-10,632	-12,570	-14,870	-17,596
Supervision and Management	-6,242	-6,188	-6,250	-6,312	-6,375	-6,439		-6,768	-7,113	-7,476	-7,857	-8,258
Rents, Rates, Taxes and Other Charges	-1,531	-1,664	-1,681	-1,698	-1,715	-1,732		-1,820	-1,913	-2,011	-2,113	-2,221
Depreciation and Impairment of Fixed assets	-9,131	-9,362	-9,549	-9,740	-9,935	-10,134		-11,188	-12,353	-13,639	-15,058	-16,625
Debt Management Expenses	-21	-25	-25	-25	-25	-25		-27	-28	-30	-31	-33
Premiums & Discounts	68	31	31	15	0	0		0	0	0	0	2
Provision for the write off of bad debt	-619	-605	-597	-589	-593	-598		-637	-702	-772	-850	-937
Contingency Expenses	-3	-50	-51	-51	-52	-52		-55	-57	-60	-63	-67
Capital Charges - Interest	-4,141	-4,338	-4,338	-4,354	-4,385	-4,385		-4,331	-4,402	-4,310	-4,310	-4,362
Total Expenditure	-28,864	-29,824	-30,165	-30,646	-31,164	-31,645		-34,164	-37,200	-40,868	-45,152	-50,097
Operating Surplus on HRA Services	**3,877**	**2,464**	**1,745**	**883**	**664**	**443**		**72**	**508**	**714**	**706**	**542**
HRA Balances B/fwd	**17,809**	21,686	24,150	25,895	26,778	27,442		27,950	29,511	32,691	36,307	39,398
HRA Balances C/fwd	**21,686**	**24,150**	**25,895**	**26,778**	**27,442**	**27,885**		**28,022**	**30,019**	**33,405**	**37,013**	**39,940**
NB: Minimum Required balances	**2,760**	2,829	2,899	2,972	3,046	3,122		3,532	3,997	4,522	5,116	5,788

Northumberland

Northumberland County Council

Appendix 8

2016-2017 Capital Programme Variations

2016-2017 Capital Expenditure Variations

Key Overspend

South East Northumberland Strategic Link Road (Morpeth Northern Bypass)

The scheme is progressing and is scheduled for completion and opening in spring 2017. The current forecast is showing an overspend of approximately £1.4 million which increases the overall cost of the scheme to £32.4 million. Although the scheme is almost complete there are still a number of factors that may impact upon the outturn. However if they do not materialise then the level of overspend should reduce. It is not proposed to recommend that the budget is increased at this stage. A further report will be presented to Capital Strategy Group and Cabinet Works Programme Advisory Group in due course.

Key Re-profiling

Loans to Third Parties (e.g. Arch)

The annual budget provision for loans to Arch (excluding Manor Walks and Westmorland Retail Park) of £30.0 million shows an overspend to date of £1.1 million. It is estimated that spend against this budget will exceed the annual budget provision by up to £30.0 million by the financial year end.

The forecast overspend is a direct result of the acceleration of the future capital development plans of Arch, bringing forward future schemes and budgets which are contained within the Council's Medium Term Financial Plan.

The increased activity and spend in this area does not result in additional costs for the Council. It has a positive benefit to the Council through the generation of additional investment income achieved from the rate of return on the loan advances to Arch. This additional interest is recognised within the Council's annual revenue budget position.

Flood Damage Programme

The Highways Flood Damage Capital Programme is funded by £14.6 million of Department for Transport grant to assist in the repair of highways infrastructure damage caused by the 2015-2016 winter storms.

A number of major schemes have either been completed or are in progress on site. Schemes that have been concluded include a landslip repair on the C322 at Whitfield, an embankment severely damaged through flood water on the B6319 at Haydon Bridge and the Pauperhaugh Bridge over the River Coquet was made safe with the structure re-opened. Works are nearing completion on the landslip on the A695 at Widehaugh whilst the repair of flood damage to Ovingham Bridge, including structural steelwork damage, scour of the river bed and repainting has now been completed with the structure re-opening during September.

The programme is continually being reviewed and it is estimated that a further £2.9 million will require re-profiling into 2017-2018 as a result of access to watercourses being granted, land acquisitions being resolved and geotechnical solutions being agreed.

Highways Maintenance Challenge Fund – Masonry Arch Structures

The £7.5 million programme of works is currently mid-way through its three year delivery timetable. The works are progressing well with fifty-one structures receiving essential repairs to date involving treatments such as repointing, masonry repairs and waterproofing. During the review in June with the Head of Property it was envisaged that £0.5 million would require re-profiling into 2017-2018 due to the progress being made. However it is now estimated that only £0.08 million will require re-profiling for completion in 2017-2018 and therefore £0.48 million needs to be reinstated.

Street lighting Replacement and Modernisation Programme

The programme is now anticipated to spend £1.4 million more in the current financial year than was anticipated in the Medium Term Financial Plan. The contractor has submitted a number of compensation events which are currently being evaluated by the project manager and an update report will be submitted to Capital Strategy Group in January 2017 and then Cabinet Works Programme Advisory Group in February 2017 explaining the current and forecast positions. A recommendation concerning the budget will then be made to Cabinet in March 2017.

Capital Position as at 31 October 2016

Service	Original Budget	Revisions *	Revised Budget	Forecast Outturn	Variance	Under (-) / Overspend	Additional Re-profiling required
	£m	£m	£m	£m	£m	£m	£m
Children's Services	13.70	-5.20	8.50	8.50	0.00	0.00	0.00
Adult Services	1.55	0.00	1.55	1.55	0.00	0.00	0.00
Local Services & Housing	95.31	-14.01	81.30	82.19	0.89	1.44	-0.55
Planning and Economy	2.12	-1.50	0.62	0.62	0.00	0.00	0.00
Corporate Resources	43.06	-0.89	42.17	59.10	16.93	0.00	16.93
Fire and Rescue	3.20	-0.31	2.89	2.89	0.00	0.00	0.00
Leisure Services	3.97	-0.29	3.68	3.79	0.11	0.00	0.11
Arch	34.36	-28.94	5.42	5.42	0.00	0.00	0.00
Total	**197.27**	**-51.14**	**146.13**	**164.06**	**17.93**	**1.44**	**16.49**
Additional Reprofiling (Since 31 October)							
Corporate Resources	-	-	-	13.00	-	-	13.00
Total	**197.27**	**-51.14**	**146.13**	**177.06**	**17.93**	**1.44**	**29.49**

* As reported to the Corporate Performance & Overview Scrutiny Committee at its meeting in October.

Northumberland County Council

Appendix 9

Capital Programme

NORTHUMBERLAND
Northumberland County Council

CAPITAL PROGRAMME MEDIUM TERM PLAN (Summary)

EXPENDITURE	2017-2018 (£)	2018-2019 (£)	2019-2020 (£)	TOTAL BUDGET (£)
ARCH	12,926,153	11,788,098	451,460	**25,165,711**
FINANCE (CORPORATE RESOURCES)	160,950,000	152,500,000	151,000,000	**464,450,000**
IT (CORPORATE RESOURCES)	8,275,888	-	-	**8,275,888**
LEISURE SERVICES	12,793,557	38,500,000	15,000,000	**66,293,557**
REGENERATION	1,579,000	783,000	-	**2,362,000**
PROPERTY SERVICES	3,111,366	3,000,000	2,000,000	**8,111,366**
STRATEGIC ESTATES	21,377,822	16,506,960	2,266,561	**40,151,343**
RENEWABLE ENERGY	7,262,907	1,000,000	-	**8,262,907**
FIRE AND RESCUE	1,523,291	-	-	**1,523,291**
NEIGHBOURHOOD SERVICES	6,537,154	9,782,000	6,326,500	**22,645,654**
TECHNICAL SERVICES	72,716,438	51,385,350	32,140,750	**156,242,538**
HOUSING - GF	1,490,915	1,480,915	1,480,915	**4,452,745**
HOUSING - HRA	10,391,332	7,460,966	7,606,193	**25,458,491**
PLANNING AND DEVELOPMENT	7,600,000	95,780,056	88,365,944	**191,746,000**
ADULT SERVICES	741,000	737,020	737,020	**2,215,040**
SCHOOLS	52,197,272	64,412,172	16,900,000	**133,509,444**
TOTAL PROGRAMME	**381,474,095**	**455,116,537**	**324,275,343**	**1,160,865,975**

FUNDING				
External Grants	73,521,349	138,202,402	114,956,519	**326,680,270**
Capital Receipts	6,700,343	6,700,000	3,420,000	**16,820,343**
GF Revenue Contributions (RCCO)	16,000,000	11,500,000	4,000,000	**31,500,000**
HRA Contributions (MRR &RCCO)	8,766,913	7,160,966	7,406,193	**23,334,072**
HRA Borrowing	1,099,076	-	-	**1,099,076**
GF Borrowing (Balance)	275,386,414	291,553,169	194,492,631	**761,432,214**
TOTAL FUNDING	**381,474,095**	**455,116,537**	**324,275,343**	**1,160,865,975**

CAPITAL PROGRAMME MEDIUM TERM PLAN (Details)

GROUP	DIVISION	PROJECT TITLE	2017-2018 BUDGET GROSS BUDGET (£)	 EXTERNAL FUNDING (£)	 NCC FUNDING (£)
Active Northumberland	Leisure Services	Druridge Bay Community Sport and Leisure Facility	**490,000**	-	490,000
Active Northumberland	Leisure Services	Leisure Buildings - Essential Remedial	**2,000,000**	-	2,000,000
Active Northumberland	Leisure Services	Berwick Swan Leisure Centre	**2,628,000**	-	2,628,000
Active Northumberland	Leisure Services	Morpeth Leisure Centre	**1,000,000**	-	1,000,000
Active Northumberland	Leisure Services	Blyth Sports Leisure Centre	**6,000,000**	-	6,000,000
Active Northumberland	Leisure Services	Active Northumberland Ponteland Gym Equipmen	**86,250**	-	86,250
Active Northumberland	Leisure Services	Alnwick Juniors 3G Pitch - NCC Contribution	**450,000**	-	450,000
Active Northumberland	Leisure Services	Haltwhistle Football Project	**139,307**	68,416	70,891
Arch	Arch	Ashington Community and Leisure Facility	**166,069**	30,000	136,069
Arch	Arch	Ashington North East Quarter Re-development Pha	**3,589,046**	-	3,589,046
Arch	Arch	East Sleekburn Enterprise Zone	**8,995,446**	4,440,736	4,554,710
Arch	Arch	Cowe Building Purchase and Refurbishment	**175,592**	175,592	-
Corporate Resources	Finance (Corporate Reso	Contingency to Support Grant Funded Projects	**250,000**	-	250,000
Corporate Resources	Finance (Corporate Reso	Alnwick Garden Project Contribution	**8,500,000**	-	8,500,000
Corporate Resources	Finance (Corporate Reso	Kirkley Hall Hotel Contribution	**1,500,000**	-	1,500,000
Corporate Resources	Finance (Corporate Reso	Morpeth Heritage Railway Station Grant (GMDT)	**500,000**	-	500,000
Corporate Resources	Finance (Corporate Reso	Loans to Third Parties (e.g. Arch)	**150,000,000**	-	150,000,000
Corporate Resources	Finance (Corporate Reso	LGPS Pension Partnership Pool Share Capital	**200,000**	-	200,000
Corporate Resources	IT (Corporate Resources)	Broadband Phase 2 / Investment Fund	**7,765,488**	2,000,000	5,765,488
Corporate Resources	IT (Corporate Resources)	Desk top refresh	**510,400**	-	510,400
Corporate Resources	Strategic Estates	Estate Transformation Programme	**1,000,000**	-	1,000,000
Corporate Resources	Strategic Estates	Hexham House	**834,342**	-	834,342
Corporate Resources	Strategic Estates	Queens Hall	**1,313,200**	-	1,313,200
Corporate Resources	Strategic Estates	Alnwick Playhouse	**2,535,000**	-	2,535,000
Corporate Resources	Strategic Estates	New HQ / County Hall	**14,895,280**	-	14,895,280
Corporate Resources	Strategic Estates	New HQ Ground Source Heat Pumps	**800,000**	-	800,000
Corporate Resources	Property Services	Property Stewardship Fund (Condition)	**2,534,525**	-	2,534,525
Corporate Resources	Property Services	Prudhoe Eastwood	**576,841**	576,841	-
Corporate Resources	Regeneration	Ashington Shop Front Grant	**250,000**	-	250,000
Corporate Resources	Regeneration	Rural Growth Network Local Growth Fund	**1,329,000**	1,329,000	-
Corporate Resources	Renewable Energy	Renewable Energy Programme	**6,000,000**	-	6,000,000
Corporate Resources	Renewable Energy	Solar PV Phase 3 – 700 HFN Domestic Properties	**1,017,000**	-	1,017,000
Corporate Resources	Renewable Energy	DECC Central Heating Fund	**245,907**	245,907	-
Local Services	Fire and Rescue	FRS Fleet Requirement	**1,178,073**	-	1,178,073
Local Services	Fire and Rescue	Hexham Community Fire Station	**185,218**	-	185,218
Local Services	Fire and Rescue	Officer Support Vehicles (Blue Light Scheme)	**160,000**	-	160,000
Local Services	Neighbourhood Services	Alnwick Lionheart Depot and Fire Station	**1,534,343**	-	1,534,343
Local Services	Neighbourhood Services	Fleet Replacement Programme	**3,134,179**	-	3,134,179
Local Services	Neighbourhood Services	Parks Enhancement Programme	**1,727,006**	1,570,000	157,006
Local Services	Neighbourhood Services	Hirst Park - Parks Enhancement Programme	**36,626**	18,313	18,313
Local Services	Neighbourhood Services	Prudhoe Park (Childrens Play) - Parks Enhancemen	**95,000**	30,000	65,000
Local Services	Neighbourhood Services	Dr Pit Park Bedlington	**10,000**	10,000	-
Local Services	Planning and Developme	Ashington, Blyth & Tyne Rail Line	**7,600,000**	1,600,000	6,000,000
Local Services	Technical Services	Highways Maintenance Challenge Fund (Masonry A	**2,733,000**	1,875,000	858,000
Local Services	Technical Services	Highways Flood Damage Capital Repair	**2,242,549**	-	2,242,549
Local Services	Technical Services	Morpeth Northern Bypass Depot (inc Salt Barn)	**885,000**	-	885,000
Local Services	Technical Services	Salt Barns (Invest to Save)	**1,358,000**	-	1,358,000
Local Services	Technical Services	Local Transport Plan	**20,678,516**	20,678,516	-
Local Services	Technical Services	Pothole Fund Grant	**1,328,000**	1,328,000	-

57 58 59 # 61 62 63

2018-2019 BUDGET			2019-2020 BUDGET			TOTAL BUDGET (3 Yrs)		
GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)	GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)	GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)
-	-	-	-	-	-	490,000	-	490,000
2,000,000	-	2,000,000	2,000,000	-	2,000,000	6,000,000	-	6,000,000
16,500,000	-	16,500,000	-	-	-	19,128,000	-	19,128,000
10,000,000	-	10,000,000	9,000,000	-	9,000,000	20,000,000	-	20,000,000
10,000,000	-	10,000,000	4,000,000	-	4,000,000	20,000,000	-	20,000,000
-	-	-	-	-	-	86,250	-	86,250
-	-	-	-	-	-	450,000	-	450,000
-	-	-	-	-	-	139,307	68,416	70,891
-	-	-	-	-	-	166,069	30,000	136,069
2,469,795	-	2,469,795	-	-	-	6,058,841	-	6,058,841
9,318,303	-	9,318,303	451,460	-	451,460	18,765,209	4,440,736	14,324,473
-	-	-	-	-	-	175,592	175,592	-
1,000,000	-	1,000,000	1,000,000	-	1,000,000	2,250,000	-	2,250,000
-	-	-	-	-	-	8,500,000	-	8,500,000
1,500,000	-	1,500,000	-	-	-	3,000,000	-	3,000,000
-	-	-	-	-	-	500,000	-	500,000
150,000,000	-	150,000,000	150,000,000	-	150,000,000	450,000,000	-	450,000,000
-	-	-	-	-	-	200,000	-	200,000
-	-	-	-	-	-	7,765,488	2,000,000	5,765,488
-	-	-	-	-	-	510,400	-	510,400
1,000,000	-	1,000,000	1,000,000	-	1,000,000	3,000,000	-	3,000,000
-	-	-	-	-	-	834,342	-	834,342
-	-	-	-	-	-	1,313,200	-	1,313,200
-	-	-	-	-	-	2,535,000	-	2,535,000
15,506,960	-	15,506,960	1,266,561	-	1,266,561	31,668,801	-	31,668,801
-	-	-	-	-	-	800,000	-	800,000
3,000,000	-	3,000,000	2,000,000	-	2,000,000	7,534,525	-	7,534,525
-	-	-	-	-	-	576,841	576,841	-
-	-	-	-	-	-	250,000	-	250,000
783,000	783,000	-	-	-	-	2,112,000	2,112,000	-
1,000,000	-	1,000,000	-	-	-	7,000,000	-	7,000,000
-	-	-	-	-	-	1,017,000	-	1,017,000
-	-	-	-	-	-	245,907	245,907	-
-	-	-	-	-	-	1,178,073	-	1,178,073
-	-	-	-	-	-	185,218	-	185,218
-	-	-	-	-	-	160,000	-	160,000
-	-	-	-	-	-	1,534,343	-	1,534,343
9,482,000	-	9,482,000	6,326,500	-	6,326,500	18,942,679	-	18,942,679
300,000	200,000	100,000	-	-	-	2,027,006	1,770,000	257,006
-	-	-	-	-	-	36,626	18,313	18,313
-	-	-	-	-	-	95,000	30,000	65,000
-	-	-	-	-	-	10,000	10,000	-
95,034,056	88,365,945	6,668,111	88,365,944	81,697,834	6,668,110	191,000,000	171,663,779	19,336,221
-	-	-	-	-	-	2,733,000	1,875,000	858,000
-	-	-	-	-	-	2,242,549	-	2,242,549
-	-	-	-	-	-	885,000	-	885,000
-	-	-	-	-	-	1,358,000	-	1,358,000
18,654,000	18,654,000	-	18,654,000	18,654,000	-	57,986,516	57,986,516	-
1,328,000	1,328,000	-	1,328,000	1,328,000	-	3,984,000	3,984,000	-

CAPITAL PROGRAMME MEDIUM TERM PLAN (Details)

			# 53	54	55
			2017-2018 BUDGET		
GROUP	DIVISION	PROJECT TITLE	GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)
Local Services	Technical Services	Members Small Schemes	**1,190,000**	-	1,190,000
Local Services	Technical Services	Morpeth Surface Water Scheme	**990,140**	795,140	195,000
Local Services	Technical Services	Haltwhistle Flood Alleviation	**795,998**	795,998	-
Local Services	Technical Services	Shilbottle Surface Water	**20,000**	20,000	-
Local Services	Technical Services	Chathill Surface Water	**96,000**	86,000	10,000
Local Services	Technical Services	Little Shore Improvement Works (Shortline Mgt)	**-**	-	-
Local Services	Technical Services	South East Northumberland Strategic Link Road (M	**1,220,659**	1,087,000	133,659
Local Services	Technical Services	Street Lighting Replacement and Modernisation	**8,519,826**	-	8,519,826
Local Services	Technical Services	Union Chain Bridge	**500,000**	-	500,000
Local Services	Technical Services	Multi-Storey Car Parks	**20,000,000**	-	20,000,000
Local Services	Technical Services	Ponteland / Dissington (Garden Village) Relief Roac	**6,109,000**	6,109,000	-
Local Services	Technical Services	Ponteland / Dissington (Garden Village) Flood Allev	**4,049,750**	4,049,750	-
Planning, Housing and Ec	Housing - GF	Disabled Facilities Grant	**1,480,915**	1,480,915	-
Planning, Housing and Ec	Housing - GF	Homes Back in Use	**10,000**	-	10,000
Planning, Housing and Ec	Housing - HRA	Major Repairs Reserve	**8,099,571**	-	8,099,571
Planning, Housing and Ec	Housing - HRA	Chronically Sick and Disabled Persons Grants	**515,000**	-	515,000
Planning, Housing and Ec	Housing - HRA	Empty Homes Purchase and Repair	**475,000**	200,000	275,000
Planning, Housing and Ec	Housing - HRA	New Affordable & Existing Housing Programme (HI	**1,099,076**	-	1,099,076
Planning, Housing and Ec	Housing - HRA	New Affordable & Existing Housing Programme (HI	**25,000**	-	25,000
Planning, Housing and Ec	Housing - HRA	Oval Estate - HRA Element	**177,685**	-	177,685
Planning, Housing and Ec	Planning and Developme	Growth Point Funding	**-**	-	-
Wellbeing and Communit	Adult Services	Sea Lodge Bungalows	**741,000**	741,000	-
Wellbeing and Communit	Adult Services	Community Capacity Grant	**-**	-	-
Wellbeing and Communit	Schools	Kyloe House Redevelopment / Stepdown Unit	**2,270,567**	2,270,567	-
Wellbeing and Communit	Schools	Kyloe House Class Conversion	**154,426**	154,426	-
Wellbeing and Communit	Schools	Kyloe House Chill Out	**24,052**	24,052	-
Wellbeing and Communit	Schools	Alnwick Schools Reorganisation	**10,166,046**	10,166,046	-
Wellbeing and Communit	Schools	Bedlington 3G Pitch	**660,608**	493,561	167,047
Wellbeing and Communit	Schools	Basic Need	**2,728,546**	2,728,546	-
Wellbeing and Communit	Schools	Devolved Formula Capital	**2,649,248**	2,649,248	-
Wellbeing and Communit	Schools	Schools Capital Investment Programme	**3,693,779**	3,693,779	-
Wellbeing and Communit	Schools	Morpeth First School	**3,800,000**	-	3,800,000
Wellbeing and Communit	Schools	Ponteland Schools Reorganisation (3 to 2 Tier)	**3,250,000**	-	3,250,000
Wellbeing and Communit	Schools	Darras Hall Primary School (New Build)	**4,800,000**	-	4,800,000
Wellbeing and Communit	Schools	Morpeth Schools Reorganisation	**5,000,000**	-	5,000,000
Wellbeing and Communit	Schools	Ponteland New Secondary School and Leisure Cent	**13,000,000**	-	13,000,000
Wellbeing and Communit	Schools	SEND Local additional resourced Provision	**-**	-	-
TOTAL (86 projects)			**381,474,095**	**73,521,349**	**307,952,746**

57	58	59	61	62	63			
2018-2019 BUDGET			**2019-2020 BUDGET**			**TOTAL BUDGET (3 Yrs)**		
GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)	GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)	GROSS BUDGET (£)	EXTERNAL FUNDING (£)	NCC FUNDING (£)
1,005,000	-	1,005,000	2,000,000	-	2,000,000	4,195,000	-	4,195,000
-	-	-	-	-	-	990,140	795,140	195,000
-	-	-	-	-	-	795,998	795,998	-
-	-	-	-	-	-	20,000	20,000	-
-	-	-	-	-	-	96,000	86,000	10,000
77,850	77,850	-	-	-	-	77,850	77,850	-
3,000	-	3,000	-	-	-	1,223,659	1,087,000	136,659
-	-	-	-	-	-	8,519,826	-	8,519,826
-	-	-	-	-	-	500,000	-	500,000
10,000,000	-	10,000,000	-	-	-	30,000,000	-	30,000,000
12,218,000	12,218,000	-	6,109,000	6,109,000	-	24,436,000	24,436,000	-
8,099,500	8,099,500	-	4,049,750	4,049,750	-	16,199,000	16,199,000	-
1,480,915	1,480,915	-	1,480,915	1,480,915	-	4,442,745	4,442,745	-
-	-	-	-	-	-	10,000	-	10,000
6,945,966	-	6,945,966	7,091,193	-	7,091,193	22,136,730	-	22,136,730
515,000	-	515,000	515,000	-	515,000	1,545,000	-	1,545,000
-	-	-	-	-	-	475,000	200,000	275,000
-	-	-	-	-	-	1,099,076	-	1,099,076
-	-	-	-	-	-	25,000	-	25,000
-	-	-	-	-	-	177,685	-	177,685
746,000	746,000	-	-	-	-	746,000	746,000	-
-	-	-	-	-	-	741,000	741,000	-
737,020	737,020	-	737,020	737,020	-	1,474,040	1,474,040	-
-	-	-	-	-	-	2,270,567	2,270,567	-
-	-	-	-	-	-	154,426	154,426	-
-	-	-	-	-	-	24,052	24,052	-
-	-	-	-	-	-	10,166,046	10,166,046	-
-	-	-	-	-	-	660,608	493,561	167,047
-	-	-	-	-	-	2,728,546	2,728,546	-
900,000	900,000	-	900,000	900,000	-	4,449,248	4,449,248	-
3,316,172	3,316,172	-	-	-	-	7,009,951	7,009,951	-
1,900,000	-	1,900,000	-	-	-	5,700,000	-	5,700,000
-	-	-	-	-	-	3,250,000	-	3,250,000
2,000,000	-	2,000,000	-	-	-	6,800,000	-	6,800,000
35,000,000	-	35,000,000	2,000,000	-	2,000,000	42,000,000	-	42,000,000
20,000,000	-	20,000,000	14,000,000	-	14,000,000	47,000,000	-	47,000,000
1,296,000	1,296,000	-	-	-	-	1,296,000	1,296,000	-
455,116,537	138,202,402	316,914,135	324,275,343	114,956,519	209,318,824	1,160,865,975	326,680,270	834,185,705

Northumberland

Northumberland County Council

Appendix 10

Prudential Borrowing Indicators

ESTIMATED CAPITAL PRUDENTIAL INDICATORS 2017-2018 to 2019-2020

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

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

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

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

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

Capital Expenditure

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

Capital Expenditure	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Arch	3.679	12.926	11.788	0.451
Finance (Corporate Resources)	151.443	160.951	152.501	150.999
IT	2.288	8.276	0.000	0.000
Active Northumberland / Leisure Services	4.983	12.794	38.500	15.000
Regeneration	2.444	1.579	0.783	0.000
Property Services	0.651	3.111	3.000	2.000
Strategic Estates	3.266	21.378	16.507	2.267
Renewable Energy	7.000	7.263	1.000	0.000
Fire and Rescue Service	2.892	1.523	0.000	0.000
Neighbourhood Services	8.056	6.537	9.782	6.327
Public Protection	0.120	0.000	0.000	0.000
Technical Services / Local Services	57.876	72.716	51.385	32.141
Housing - GF	1.617	1.491	1.481	1.481
Housing - HRA	14.061	10.391	7.461	7.606
Planning and Development	0.610	7.600	95.780	88.366
Adult Services	0.774	0.741	0.737	0.737
Schools	8.499	52.197	64.412	16.900
Total Capital Expenditure	**270.259**	**381.474**	**455.117**	**324.275**

The table below summarises how the above capital expenditure is being financed by capital or revenue resources. Any shortfall in resources results in a funding borrowing need.

Capital Funding	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
External Grants	56.969	73.521	138.203	114.956
Capital Receipts	8.756	6.700	6.700	3.420
GF Revenue Contributions	0.000	16.000	11.500	4.000
HRA Contributions	7.985	8.767	7.161	7.406

Capital Funding	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
HRA Borrowing	5.320	1.099	0.000	0.000
GF Borrowing	191.229	275.387	291.553	194.493
Total Capital Funding	**270.259**	**381.474**	**455.117**	**324.275**

Capital Financing Requirement - the Council's borrowing need

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

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

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

The CFR shown below, which includes other long term liabilities, such as PFI and leasing arrangements, is increasing by £683.3 million over the next three years.

The Council is asked to approve the following CFR projections.

Capital Financing Requirement (CFR)	2015-16 Actual £m	2016-17 Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
General Fund CFR	627.608	795.602	1,046.631	1,316.105	1,477.796
HRA CFR	103.122	108.441	109.541	109.541	109.541
Overall CFR	**730.730**	**904.043**	**1,156.172**	**1,425.646**	**1,587.337**
Movement in Year		173.313	252.129	269.474	161.691

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

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

Ratio of financing costs to net revenue stream	2015-16 Actual %	2016-17 Estimate %	2017-18 Estimate %	2018-19 Estimate %	2019-20 Estimate %
General Fund	11.5	5.8	5.4	6.0	9.1
HRA	12.3	12.0	12.5	12.1	12.3

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

Incremental impact of capital investment decisions on council tax and housing rents.

The estimate of the incremental impact of the new capital investment decisions proposed for the forthcoming year and following two financial years over and above capital investment decisions that have previously been taken are:

The impact of the new schemes on Band D Council Tax and housing rents are expected to be:

Incremental impact of capital investment on	2017-18 Estimate £	2018-19 Estimate £	2019-20 Estimate £
Council Tax Band D	9.59	91.61	165.71
Housing Rent Levels	19.65	22.80	28.27

Authorised Limit for External Debt

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

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

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

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

The Council is asked to approve the following authorised limit:

Authorised Limit	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Borrowing	1,348.678	1,695.300	1,886.355
Other long term liabilities	84.785	80.936	76.936
Total	1,433.463	1,776.236	1,963.291

Operational Boundary for External Debt

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

The Council is asked to approve the following operational boundary:

Operational Boundary	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Borrowing	1,123.898	1,412.750	1,571.963
Other long term liabilities	70.654	67.447	64.113
Total	1,194.552	1,480.197	1,636.076

Treasury Management Limits on Activity

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Interest Rate Exposure	2017-18 Upper	2018-19 Upper	2019-20 Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%

Maturity Structure of Borrowing

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

Maturity Structure of fixed rate borrowing during 2017-2018	Upper Limit	Lower Limit
Under 12 months	25%	0%
1 year - 2 years	40%	0%

Maturity Structure of fixed rate borrowing during 2017-2018	Upper Limit	Lower Limit
2 years within 5 years	60%	0%
5 years within 10 years	80%	0%
10 years and above	100%	0%

Maturity Structure of variable rate borrowing during 2017-2018	Upper Limit	Lower Limit
Under 12 months	35%	0%
1 year - 2 years	40%	0%
2 years within 5 years	60%	0%
5 years within 10 years	80%	0%
10 years and above	100%	0%

Investments for periods longer than 365 days

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

The Council is asked to approve the treasury indicator:

Maximum principal sums invested which can be held for over 365 days	2017-18 £m	2018-19 £m	2019-20 £m
Principal sums invested > 364 days	£120m	£120m	£120m

Northumberland County Council

Appendix 11

Minimum Revenue Provision Policy Statement

ANNUAL MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

Background

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

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

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

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

The guidance suggests that from 2009-2010 onwards MRP charges relating to non-government supported borrowing must be calculated using either method three or four.

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

Confirmation of Existing Policy

In line with many other authorities, the Council's existing policy adopts for the most part, the use of Options 1 and 3, and a continuation of this practise is proposed for 2017-2018. The Council is therefore recommended to approve the following statement reconfirming the existing arrangements:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the 'Regulatory Method' (option 1) outlined in Department for Communities and Local Government guidance on MRP. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- For all capital expenditure incurred after 1 April 2008 financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.
- With regard to the Option 3 element, a fixed average asset life will be assumed and applied to the global in year unsupported borrowing/spend; rather than breaking this calculation down to spend on individual assets and their respective lives. The assumed life will be based on the historic weighted average life of all assets included in the Option 3 calculation for 2009-2010 to 2014-2015.
- For capital expenditure in respect of Long Term Capital Debtors, where the principal is repaid over the term of the loan (such as the loans to Northumbria Health Authority and the Local Authority Mortgage Scheme etc.), no MRP provision is made but the liability will be met by setting aside the associated receipt of the repayments. Similarly, for those Long Term Capital Debtors where prinicipal is repaid on maturity (such as the loans to Arch), no MRP provision is made but the liability will be met by setting aside the associated repayment received on maturity of the loan.
- In order to allow increased flexibility to cope with future austerity, whenever resources are available and allow, additional voluntary set aside may also be made. Conversely, any advance provision from previous years may if needed be utilised to reduce the current year's MRP requirement (i.e. that which would otherwise be set aside). The level of each year's voluntary set aside, or reversal, will be delegated to the Section 151 Officer (or the Deputy Section 151 Officer), based on what is considered prudent and affordable for both exitsing resources and future forecasts.
- There is no requirement to provide minimum revenue provision in relation to the Housing Revenue Account.

Northumberland County Council

Appendix 12

Treasury Management Strategy 2017-2018

TREASURY MANAGEMENT STRATEGY STATEMENT 2017-2018

1. INTRODUCTION

1.1. Background

This Treasury Management Strategy Statement details the expected activities of the Treasury Management function for the 2017-2018 financial year. Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Treasury management is defined as:

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

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, and the CIPFA Treasury Management Code of Practice (which was adopted by Northumberland County Council in February 2010).

The codes define the manner in which capital spending plans are to be considered and approved, and require the Council to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. In conjunction with this, they also require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy - as required by the Investment Guidance issued by The Department of Communities and Local Government which came into effect from the 1 April 2010.

1.3. Basis and Content of Treasury Management Strategy for 2017-2018

The suggested strategy for 2017-2018 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, and is supplemented by leading market forecasts provided by the Council's treasury advisors, Capita Assets Services. The strategy covers:

- Current portfolio position;
- Economic outlook and prospects for interest rates;
- Borrowing Strategy for 2017-2018;
- Annual Investment Strategy for 2017-2018;
- Housing Revenue Account (HRA) treasury costs;

- Treasury management limits and prudential indicators;
- Minimum Revenue Provision Policy Statement;
- Policy on use of external service providers, and;
- Implementation of the Treasury Management Strategy, scheme of delegation, reporting and training requirements.

1.4. Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. In particular, Section 31 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that the impact of increases in capital expenditure - such as interest charges associated with any new borrowing, and any increases in running costs from these capital projects - must be limited to a level which is affordable within the projected income of the Council for the foreseeable future.

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

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

2. THE PORTFOLIO POSITION AT 30 NOVEMBER 2016

2.1. Current Borrowing

The Council’s debt at the beginning of the year and at 30 November 2016 is shown below:

	General Fund £m	HRA £m	Total Principal 30 Nov 2016 £m	Weighted Average Rate %
Public Works Loan Board Loans	206.22	65.96	272.18	3.42
LOBOs	166.50	23.00	189.50	4.06
Market / Local Authority (>1yr)*	234.00	8.10	242.10	1.82
Salix	0.14	0.00	0.14	0.00
Short Term loans* (<1yr)	25.00	0.00	25.00	0.45
TOTAL EXT BORROWING	**631.86**	**97.06**	**728.92**	**2.95**

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

Total external borrowing has increased by £90.68 million from £638.24 million at the start of year to £728.92 million at 30 November 2016. Following further repayments and possible new loans the year end figure is expected to be £735.61 million.

2.2. Current Investments

The table below summarises the investment position as at 30 November 2016:

	Total Principal 30 Nov 2016 £m	Weighted Average Rate %
Money Market Funds and Call Accounts	19.70	0.50
Fixed Term Investments – Short Term (<1yr)	15.00	0.65
Fixed Term Investments – Long Term (>1yr)	103.30	2.62
TOTAL EXTERNAL INVESTMENTS	**138.00**	**2.10**

3. FORECAST FOR INTEREST RATES AND ECONOMIC OUTLOOK

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita's central view of rates for 2017-18 (at 01 December 2016). A longer view and more detailed forecast, including additional forecasts from Capital Economics, is included at Annex A.

	Qtr 1 (Q/E Jun 2017)	Qtr 2 (Q/E Sep 2017)	Qtr 3 (Q/E Dec 2017)	Qtr 4 (Q/E Mar 2018)
Bank Rate	0.25%	0.25%	0.25%	0.25%
5yr PWLB	1.60%	1.60%	1.60%	1.70%
10yr PWLB	2.30%	2.30%	2.30%	2.30%
25yr PWLB	2.90%	2.90%	3.00%	3.00%
50yr PWLB	2.70%	2.70%	2.80%	2.80%

3.1. Economic Outlook (at December 2016)

The Monetary Policy Committee (MPC), cut Bank Rate from 0.50% to 0.25% on 04 August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast. Added to this, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut - although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

During the two-year period 2017–2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, i.e. by raising Bank Rate, which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase in Bank Rate to 0.50% is not (tentatively) forecast until quarter 2 2019, after Brexit negotiations have been concluded. However, if strong domestically generated inflation (e.g. from wage increases within the UK) were to emerge, then the pace and timing of increases could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK; the above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact.

Long-term borrowing rates are largely driven by gilt/bond yields, which are in themselves (inversely) governed by gilt price / demand movements - when demand for gilts increases, prices rise, but the yield received effectively falls.

The overall longer run trend is for gilt yields, and therefore PWLB borrowing rates, to gently rise going forward. It has long been expected that at some point there would be a start to a switch back from gilt/bond purchases to equities purchases, followng a historic long term trend of falling gilt/bond yields. Not least bacause a lot of these gilt/bond purchases were fuelled by the actions of central banks since the financial crash of 2008 in implementing substantial quantitative easing – and position which will inevitably need to be reversed at some point. Notwithstanding this, the sharp rise in bond yields since the US Presidential election may in itself signal the more general start of this reversal; especially since America is likely to lead the way in reversing monetary policy.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the US Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise.

Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

3.2. Downside Economic Risks

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and therefore PWLB borrowing rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Upcoming major national polls and elections (Italy, Spain, France, Germany and Holland)
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

3.3. Upside Econimic Risks

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:

- UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

4. THE BORROWING STRATEGY 2017-2018

4.1. Introduction

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

The output of capital expenditure plans is reflected in the Prudential Indicators, at set out in Appendix 10.

4.2. Borrowing Need – Capital Financing Requirement

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

At the same time the Council has significant levels of 'cash-backed' balances that are available for investment. Accordingly, the capital financing requirement (or borrowing requirement) need not always be met or funded externally from physical loans: At least in the short term, investment balances can be 'used' in lieu of borrowing externally; by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund part of the borrowing requirement. This is often referred to as 'internal' or 'under' borrowing.

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

CFR Forecast	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Opening CFR (exc PFI)	830.23	1,085.52	1,358.20
Increase in CFR (exc. PFI)	255.29	272.68	165.02
Closing CFR (exc PFI) [Need to Borrow]	**1,085.52**	**1,358.20**	**1,523.22**

Extenal Borrowing Forecast	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Opening External Borrowing (exc. PFI)	735.61	947.06	1,239.52
Increase in External Borrowing (exc. PFI)	211.45	292.46	171.46
Closing in External Borrowing (exc. PFI)	**947.06**	**1,239.52**	**1,410.98**
Under / (Over) Borrowing	138.46	118.68	112.24

4.3. Proposed Borrowing Strategy

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

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

Despite utilising investments balances to support the borrowing need, as identified above a significant amount of external borrowing will still be required during 2017-2018 (around £211 million),and going forward. Against the above backdrop and the risks within the economic forecast, it is envisaged this requirement will be met primarily from short to medium term borrowing but also from some longer term loans.

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

For example, if it was felt that there was a significant risk of a sharp rise in long rates than that currently forecast (perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK), then the portfolio position will be re-appraised and consideration given to increased long-term borrowing being drawn down whilst interest rates remain low.

Conversely, if it was felt that there was a significant risk of a sharp fall in rates (perhaps due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing may be postponed and the potential for rescheduling from fixed rate funding into short term borrowing perhaps considered.

The Section 151 Officer will approve all borrowing.

4.4. Policy on borrowing in advance of need

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

4.5. Debt Rescheduling

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

The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;

- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The Council will monitor the situation and seek advice from Capita before any rescheduling of debt. All rescheduling will be reported to the Council at the earliest meeting following its action.

4.6. Municipal Bond Agency and European Investment Bank

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

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

5. ANNUAL INVESTMENT STRATEGY 2017-2018

5.1. Introduction – Investment Policy

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

As proposed in section 4 above, it is expected that during 2017-2018 a significant proportion of available investment balances will be used as ‘internal borrowing’ to support the financing of the CFR. As a result, external investments will be limited and may decrease further during the year.

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

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

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

5.2. Investment objectives

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

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

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

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

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

The Credit and Counterparty Criteria List (Annex C), which has not changed, offers diverse counterparties and take into account country, sector and group limits.

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

The risk appetite of the Council is medium, therefore specified and unspecified investments will be considered; however security and liquidity continue to take precedence over yield. All investments will be placed only with organisations which meet the criteria and will always be scrutinised and approved in line with approved Treasury Management Practices. (Annex B).

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

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

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

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

The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

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

5.4. Types of investments the council may use

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

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

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

In line with the CLG Guidance, the Credit and Counterparty Policy categorises investments instrumnets between 'Specified' and 'Non-Specified' investments:

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

- in pounds sterling;
- due to be repaid within 12 months or which may be required to be repaid within 12 months;
- not capital expenditure;
- made with high credit quality organisations, (for the purpose of this strategy high credit ratings are "A-" and above for long term and "F2/P-2" and above for short term investments); or,

- Made with the United Kingdom Government or local authority (including the North East Combined Authority), parish council or community council.

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

As in previous years, it is anticipated that the majority of investments will be specified but it is proposed a maximum of 25% of total Council investments may be held in non-specified investments at any one time during the year.

Investments will only be placed with organisations which meet the criteria set out in the approved Credit and Counterparty Policy. Individual investments or aggregate of investments to one organisation should comply with the monetary limits set out in Credit and Counterparty Criteria List.

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

The only proposed amendments to the Credit and Counterparty Policy for 2017-2018 is the removal of foreign bank investments – which was only added to facilitate the repayment of the impaired Icelandic bank deposits as a result of restrictions imposed by the Icelandic authorities.

Investments are to be arranged in line with Treasury Management Practices (Annex B) and all investments with new counterparties must be approved by the Section 151 Officer or in his absence the Deputy Section 151 Officer or Finance Managers.

5.5. Forecast Investment Balances and Liquidity.

Based on current reserves and balances forecast, and allowing for the proposed strategy of using some of the investable balances as 'internal borrowing' to support the financing of the CFR (see Section 4), it is anticipated that in 2017-2018 the Council external investment balances will fluctuate throughout the year within a range between £30 million and £140 million.

To ensure liquidity a minimum of 20% of its overall investments or £5 million, whichever is lower, will be held in liquid accounts. For cash flow generated balances, the Council will seek to utilise its money market funds, call accounts and short-dated deposits (overnight to six months).

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

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

5.6. Non Treasury Management Investments defined as capital expenditure

In addition to the above standard treasury management activity, the Council also receives interest from two other activities that are deemed by Statutory Regulations as capital expenditure rather than treasury management investments, and are therefore outside of the scope of the this Investment Strategy and the Specified/Non specified categories:

- Investment Shares in NIAL Holdings (Newcastle Airport) [£13.4 million] and Arch [£3.3 million]: as defined by Regulation 25 (1)(d) of The Local Authorities (Capital Finance And Accounting) (England) Regulations 2003.
- The loans to Newcastle Airport, Northumbria Healthcare NHS Foundation Trust, ARCH and other organisations totalling [£231 million at 31 March 2016]: Regulation 25 (1)(b) of The Local Authorities (Capital Finance And Accounting) (England) Regulations 2003.

The 2017-2018 Capital Programme includes a provision of £150 million per annum for further loans to third parties. It is proposed that approval of these activities is delegated to the Section 151 Officer and Leader of the Council.

5.7. Provision for credit related losses

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

6. HOUSING REVENUE ACCOUNT (HRA) TREASURY MANAGEMENT COSTS

6.1. Overview

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

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

6.2. Policy for HRA Under and Over Borrowing

HRA Under-Borrowing

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

HRA Over-Borrowing

Where the weighted average balance of the HRA (external) loans pool is greater than the weighted average HRA CFR for the same period, notional interest will be paid to the HRA at the average 3-month London Interbank Bid (LIBID) rate for the period.

6.3. Other Treasury Management Charges to HRA

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

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

7. PRUDENTIAL INDICATORS and TREASURY LIMITS 2017-2018 to 2019-2020

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

Councils are required to approve a set of Prudential Indicators for the new financial year and adhere to these indicators during the course of that year. The indicators are to be set on a rolling basis, for the forthcoming financial year and two successive financial years. Prudential Indicators for 2017-2018 – 2019-2020 are set out in Appendix 10.

8. THE ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to make additional voluntary payments if required.

CLG Regulations have been issued which require the full Council to approve an MRP policy in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the Annual Minimum Revenue Provision Policy Statement including Additional Voluntary Provision as detailed within Appendix 11.

9. POLICY ON USE OF EXTERNAL SERVICE PROVIDERS

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

The Council uses Capita Asset Services - Treasury Solutions Ltd (previously known as Sector Treasury Services) as its treasury management consultants. The company provides a range of services which include:

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

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remain with the Council. The Section 151 Officer will ensure that undue reliance is not placed upon external service providers and that the service is subject to regular review.

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

10.1. Implementation of the Treasury Management Strategy

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

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

The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

10.2. Treasury Management Practices (TMPs)

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

Local Authorities. These set out the specific details of the systems to be employed and the records to be maintained.

These practices are as follows:

TMP1 Credit and Counterparty Risk management;

TMP2 Best value and performance measurement;

TMP3 Decision-making and analysis;

TMP4 Approved instruments, methods and techniques;

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements;

TMP6 Reporting requirements and management information;

TMP7 Budgeting, accounting and audit arrangements;

TMP8 Cash and cash flow management;

TMP9 Money laundering;

TMP10 Training and qualifications;

TMP11 Use of external service providers;

TMP12 Corporate governance.

TMPs have been updated following a staffing restructure.

10.3. Responsible Officers

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

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

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

10.4. Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Members received training in October and further training will be arranged as required.

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

10.5. Reports and Monitoring

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

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

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

Treasury Management Strategy Statement

The first and most important report covers:

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

A Mid Year Treasury Management Report

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

An Annual Treasury Report

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

It is proposed that the Council follow reporting arrangements in accordance with the requirements of the revised code.

Area of Responsibility	Council/ Committee/ Officer	Frequency
Scrutiny of treasury management strategy	Audit Committee or Risk Appraisal Panel	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy and Treasury Management Practices	Cabinet / Full Council	Annually before the start of the year

Area of Responsibility	Council/ Committee/ Officer	Frequency
Annual Treasury Outturn Report	Cabinet / Full Council	Annually by 30 September after the end of the year
Treasury Management Budget Monitoring Reports	Incorporated within the Budget Monitoring report and reported separately to Audit Committee	Quarterly
Scrutiny of treasury management performance	Audit Committee	As required
Updates or revisions to Treasury Management Strategy / Annual Investment Strategy / MRP policy –	Cabinet / Full Council	Ad- hoc

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

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

ECONOMIC FORECAST - NOVEMBER 2016

ANNEX.A

CAPITA ASSET SERVICES	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

CAPITAL ECONOMICS	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%
5yr PWLB	1.60%	1.70%	1.80%	1.90%	1.95%	2.05%	2.20%	2.30%	2.40%	2.60%	2.80%	3.00%	3.20%	3.30%
10yr PWLB	2.30%	2.35%	2.45%	2.50%	2.55%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.40%	3.60%	3.70%
25yr PWLB	2.90%	3.00%	3.05%	3.10%	3.15%	3.25%	3.30%	3.35%	3.45%	3.55%	3.75%	3.95%	4.15%	4.35%
50yr PWLB	2.80%	2.85%	2.95%	3.00%	3.05%	3.10%	3.15%	3.20%	3.30%	3.50%	3.70%	3.90%	4.10%	4.20%

ANNEX B

TREASURY MANAGEMENT PRACTICES – SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council.

11. TMP1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's strategy. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

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

11.1. LIQUIDITY

11.1.1. Amounts of approved cash balances and short term investments

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

11.1.2. Standby facilities

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

11.1.3. Bank arrangements

The balance held in Barclays can be up to the limit stipulated in the Credit and Counterparty Criteria list. A transfer called a 'sweep' can be made between the Barclays main bank account and a Barclays interest bearing account. The overdraft limit is £500,000, with an annual fee of £2,500 and interest charged at 2%. Unauthorised overdraft will be charged at 3%. The overdraft is assessed on a group basis for the Council's accounts.

11.2. INTEREST RATE

11.2.1. Details of approved interest rate exposure limits

Please refer to Prudential Indicators Appendix 3.

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

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

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

Maximum proportion of interest on borrowing which is subject to variable rate interest permissible is 50%.

Minimum proportion of interest on borrowing which is subject to variable rate interest permissible is 0%.

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

Minimum proportion of interest on borrowing which is subject to fixed rate interest permissible is 50%.

Maximum proportion of interest on borrowing which is subject to fixed rate interest permissible is 100%.

11.2.5. Policies concerning the use of financial derivatives and other instruments for interest rate management.

a) **Forward dealing (agreeing to invest money at a future date)**: Consideration will be given to dealing from forward periods dependent upon market conditions. Any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy. All forward dealing should have the approval of either the Section 151 Officer or the Deputy Section 151 Officer.

b) **Callable deposits**: Callable deposits are permitted subject to approval from the Section 151 Officer.

c) **LOBOS (borrowing under lender's option/borrower's option)**: The use of LOBOs is considered as part of the borrowing strategy. Any money borrowed for periods in excess of one month must be approved by the Section 151 Officer, the Deputy Section 151 Officer.or a Finance Manager.

11.3. EXCHANGE RATE

11.3.1. Approved criteria for managing changes in exchange rate levels

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

On rare occasions where investments are made in non-sterling, advice on the risk to exchange rate fluctuations will be sought from the Council's bankers and other professionals as necessary.

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

11.4. INFLATION

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

There is significant uncertainty with economic forecasts. Whilst short term investment rates are expected to remain on hold until September 2016, borrowing rates are expected to rise. Inflation is expected to remain within 1%.

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

11.4.2. Approved criteria for managing changes in inflation levels

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

11.5. CREDIT AND COUNTERPARTY POLICIES

11.5.1. Criteria to be used for creating/managing approved counterparty lists/limits

a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed.

b) Treasury management staff will decide which counterparties to use in line with the strategy on criteria for selection of counterparties. Changes to the Credit and Counterparty Criteria List will be included in the annual report, mid year report, or where necessary an ad hoc report to Council.

c) Credit ratings will be used as supplied from at least two of the following credit rating agencies:

- Fitch Ratings;
- Moody's Investors Services
- Standard & Poor's.

d) Treasury Management Advisors provide a weekly update of all ratings relevant to the Council, as well as any changes to individual counterparty credit ratings. This information is accessible on line via Capita's new website - Passport.

e) No lending is allowed without prior approval.

f) Subsidiaries that do not have a credit rating in their own right may be used if they are guaranteed by a highly rated parent company.

g) The maximum value for any one investment transaction will be £35 million.

h) Investment in the building society sector should be limited to 30% of the average annual investment balances.

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

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

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

11.6. REFINANCING

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

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

a) The generation of cash savings at minimum risk;

b) To reduce the average interest rate;

c) To enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility).

d) To reduce the risk associated with the investment of surplus funds.

The Section 151 Officer has delegated authority, in consultation with the Deputy Leader of the Council, to reschedule current long-term debt and to arrange the necessary borrowings within the following remit:

a) The maximum amount of outstanding borrowing shall be as stated in the prudential indicators.

b) Within that sum the maximum amount of short term borrowing is 25%.

c) The limit on the proportion of borrowings on which interest is payable at variable rates is 50%,

The Council will seek to limit refinancing exposure by ensuring that no more than 25% of the loan portfolio matures in any one year.

11.6.2. Projected capital investment requirements

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

11.6.3. Policy concerning limits on revenue consequences of capital financing

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

A number of these Prudential Indicators are relevant to setting an integrated Treasury Management Strategy. The indicators are set on a rolling basis, for the forthcoming financial year and two successive financial years. Please refer to the prudential Indicators are contained within Appendix 3.

11.7. LEGAL AND REGULATORY

11.7.1. References to relevant statues and regulations

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

a) CIPFA's Treasury Management Code of Practice (revised 2009 and 2011)

b) The Prudential Code for Capital Finance in Local Authorities 2003 (revised 2009 and 2011)

c) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities

d) CIPFA Standard of Professional Practice on Treasury Management

e) Local Government Act 2003 (revised 2010)

f) The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

g) Council's Constitution relating to Contracts

h) Council's Finance and Contract Rules

i) Council's Scheme of Delegations

j) The Bribery Act 2010

11.7.2. Procedures for evidencing the organisation's powers/authorities tocounterparties

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

a) A Treasury Management Strategy Statement, stating the overriding principles and objectives of its treasury management activities; and,

b) The Annual Investment Strategy

11.7.3. Required information from counterparties concerning their powers/authorities

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

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

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

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

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

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

11.8. FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT

11.8.1. Details of systems and procedures to be followed, including internet services

a) Authority:

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

b) Occurrence:

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

c) Completeness:

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

d) Measurement:

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

e) Timeliness:

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

f) Regularity:

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

g) Security:

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

h) Substantiation:

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

11.8.2. Emergency and contingency planning arrangements

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

11.8.3. Insurance details

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. The excess for Fidelity guarantee is £5,000. The Council also has a 'Professional Indemnity' insurance policy with Griffiths & Armour Professional Risks which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5 million (named departments) for any one event with an excess of £25,000 for any one event with the exception of legal services where the limit is £1,000,000 with an excess of £1,000 for any one event.

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

11.9. MARKET VALUE OF INVESTMENTS

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

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

12. TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

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

Northumberland County Council is a member of the CIPFA and Capita benchmarking clubs. Comparisons will be made with a number of similar authorities. Our treasury management consultant will carry out a regular health check of our treasury management function.

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

12.2.1. Frequency and processes for tendering

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

12.2.2. Banking services

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

12.2.3. Money-broking services

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

12.2.4. Consultants'/advisers' services

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

12.2.5. Policy on External Managers (Excluding Superannuation Funds)

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

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

Performance measured against Annual Treasury Management Strategy Statement targets.

a) Compliance with CIPFA Code of Treasury Practice.

b) Expenses contained within approved budget.

c) Review of benchmarking club data.

12.4. BENCHMARKS AND CALCULATION METHODOLOGY

12.4.1. Debt management

a) Average rate on all external debt.

b) Average period to maturity of external debt.

c) Average rate on external debt borrowed in previous financial year.

12.4.2. Investment

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

13. TMP3 DECISION-MAKING AND ANALYSIS

13.1. FUNDING, BORROWING, LENDING AND NEW INSTRUMENTS / TECHNIQUES

13.1.1. Records to be kept

a) All loan transactions are recorded a spreadsheet.

b) Daily cash projections.

c) Telephone/e-mail rates.

d) Dealing slips for all money market transactions – including rate changes.

e) PWLB loan schedules.

f) Temporary loan receipts.

g) Brokers confirmations for deposits/investments

13.1.2. Processes to be pursued

a) Cash flow analysis.

b) Maturity analysis.

c) Ledger reconciliations

d) Review of borrowing requirement.

e) Comparison with prudential indicators.

f) Monitoring of projected loan charges and interest and expenses costs.

g) Review of opportunities for debt rescheduling.

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

a) Above all be clear about the nature and extent of the risks to which the organisation may become exposed;

b) Ensure that decisions are in accordance with approved Treasury Management Strategy;

c) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorisations to proceed have been obtained;

d) Be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping;

e) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded;

f) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

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

a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;

b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;

c) Consider the alternative interest rate bases available, the most appropriate periods to fund, and repayment profiles to use;

d) Consider the on-going revenue liabilities created, and the implications for the Council's future plans and budgets.

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

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;

b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

14. TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

14.1. APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

a) Borrowing;

b) Lending;

c) Debt repayment and rescheduling;

d) Consideration, approval and use of new financial instruments and treasury management techniques;

e) Managing the underlying risk associated with the Council's capital financing and surplus funds activities;

f) Managing cash flow;

g) Banking activities.

14.2. APPROVED INSTRUMENTS FOR INVESTMENTS

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

Investments can be made through one of the following:

a) The Council's bankers;

b) The SunGard Portal or other online portals;

c) Direct with banks and financial institutions;

d) One of the Council's approved brokers shown in TMP 11.

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

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

14.3. APPROVED BORROWING TECHNIQUES

a) LOBOs

b) PWLB

c) Local authorities

14.4. APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

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

On Balance Sheet	Fixed	Variable
PWLB	*	*
EIB	*	*
Market (long-term)	*	*
Market (temporary)	*	*
Market (LOBOs)	*	*
Stock issues	*	*
Local temporary	*	*
Local Bonds	*	
Overdraft		*
Negotiable Bonds	*	*
Internal (capital receipts & revenue balances)		* *
Commercial Paper		
Medium Term Notes	*	
Leasing (not operating leases)	*	*

Other Methods of Financing

Government and EC Capital Grants

Lottery monies

PFI/PPP

Operating leases

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

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

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

a) Full Council will receive and approve reports on treasury management policies, practices and activities, the annual treasury management strategy and annual report on debt rescheduling.

b) The Section 151 Officer will be responsible for amendments to the organisation's adopted clauses, treasury management strategy statement and treasury management practices. A formal report will be put to Cabinet to approve any formal amendments.

c) The Section 151 Officer will approve the segregation of responsibilities.

d) The Section 151 Officer will receive and review external audit reports and put recommendations to the Audit Committee.

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

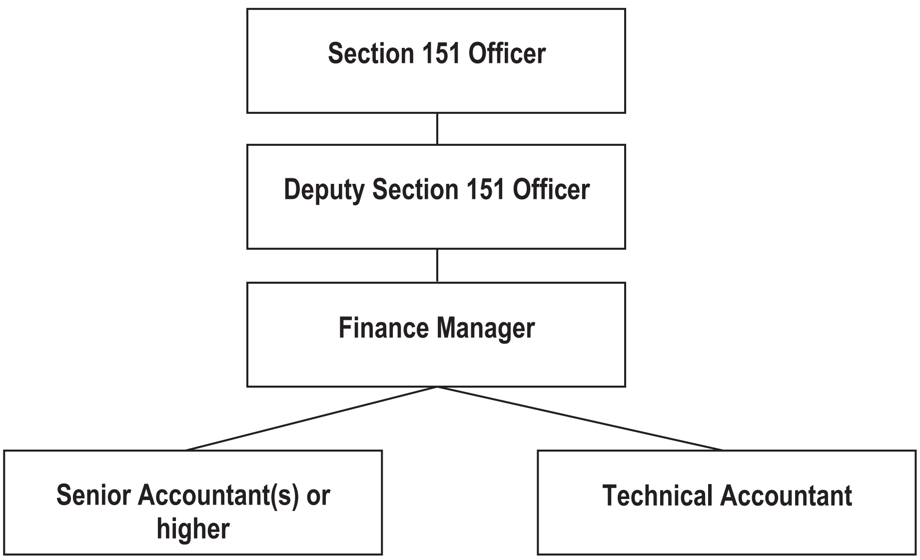
15.2. PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

a) The Section 151 Officer in consultation with the Portfolio Holder for Corporate Resources will authorise all new long-term borrowing.

b) Transactions relating to pre-existing agreements are delegated to the senior accountant responsible for treasury management.

c) Short-term borrowing and investment are authorised by the Section 151 Officer, Deputy Section 151 Officer or in their absence, a Finance Services Manager.

15.3. TREASURY MANAGEMENT ORGANISATION CHART



15.4. STATEMENT OF DUTIES/ RESPONSIBILITIES OF EACH TREASURY POST

15.4.1. Portfolio Holder for Corporate Resources

a) The Portfolio Holder for Corporate Resources has primary political responsibility for Treasury Management strategy and will be regularly briefed on Treasury Management performance and proposed policy changes by the Section 151 Officer.

b) The Portfolio Holder for Corporate Resources has the right to recommend to the Section 151 Officer that a particular transaction should go to the Risk Appraisal Panel.

c) The Portfolio Holder for Corporate Resources may attend Audit Committee.

15.4.2. Section 151 Officer

The Section 151 Officer will:

a) Recommend clauses, treasury management strategy/practices for approval reviewing the same on a regular basis, and monitoring compliance;

b) Submit treasury management strategy reports as required;

c) Submit budgets and budget variations in accordance with Financial Regulations and guidance;

d) Review the performance of the treasury management function and promote best value reviews;

e) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

f) Ensure the adequacy of internal audit, and liaison with external audit;

g) Appoint external service providers in accordance with council standing orders.

h) The Section 151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

i) The Section 151 Officer may delegate his power to borrow and invest to members of his staff; the Deputy Section 151 Officer and Finance Managers. All transactions must be authorised by a named officer above.

j) The Section 151 Officer will ensure that the Strategy is adhered to, and if not will bring the matter to the attention of elected Members as soon as possible.

k) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Section 151 Officer to be satisfied that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

l) It is also the responsibility of the Section 151 Officer to ensure that the Council complies with the requirements of The Non Investment Products Code for principals and broking firms in the wholesale markets.

15.4.3. Senior Accountants responsible for treasury management

The responsibilities of this post will be:

a) Monitoring performance and market conditions on a day-to-day basis;

b) Recommend investments and borrowing transactions;

c) Execution of transactions;

d) Adherence to agreed policies and practices on a day-to-day basis;

e) Maintaining relationships with third parties and external service providers;

f) Identifying and recommending opportunities for improved practices.

15.4.4. Technical Accountant

a) Review and recommend investments and borrowing transactions;

b) Maintaining relationships with third parties and external service providers;

c) Identifying and recommending opportunities for improved practices;

d) Produce the annual Treasury Management Strategy, Outturn and Mid year review reports.

15.4.5. Finance Manager

The responsibilities of this post will be:

a) Line management of the Technical Accountant and Senior Accountant(s) responsible for treasury management;

b) Review and recommend investments and borrowing transactions;

c) Authorise CHAPS payments;

d) Adherence to agreed policies and practices on a day-to-day basis;

e) Maintaining relationships with third parties and external service providers;

f) Monitoring performance on a day-to-day basis;

g) Identifying and recommending opportunities for improved practices;

h) Reviewing the annual Treasury Management Strategy, Outturn and Mid year review reports

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

The responsibilities of this post will be:

a) Ensuring compliance by the Section 151 Officer with the Treasury Management Strategy statement and treasury management practices and that these practices comply with the law;

b) Being satisfied that any proposal to vary treasury strategy or practice complies with law or any code of practice;

c) Giving advice to the Section 151 Officer when advice is sought.

15.4.7. Internal Audit

The responsibilities of Internal Audit will be:

a) Reviewing compliance with approved policy and procedures;

b) Reviewing division of duties and operational practice;

c) Assessing value for money from treasury activities;

d) Undertaking probity audit of treasury function.

15.5. ABSENCE COVER ARRANGEMENTS

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

15.6. DEALING LIMITS

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

15.7. LIST OF APPROVED BROKERS

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

15.8. POLICY ON BROKERS' SERVICES

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

15.8.1. POLICY ON TAPING OF CONVERSATIONS

It is not Council policy to tape brokers' conversations.

15.9. DIRECT DEALING PRACTICES

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

15.10. SETTLEMENT TRANSMISSION PROCEDURES

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

15.11. DOCUMENTATION REQUIREMENTS

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

16. TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

16.1. ANNUAL REPORTING REQUIREMENTS BEFORE THE START OF THE YEAR

a) The Treasury Management Strategy statement and practices sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval before the commencement of each financial year.

b) The Council must approve the Prudential Indicators.

c) The Council must approve the Minimum Revenue Provision Policy.

16.2. REPORTING REQUIREMENTS DURING THE YEAR

a) A mid year review of the strategy statement

b) Any variations to the agreed Treasury Management policies and practices will be reported to the Council at the earliest practicable meeting

16.3. ANNUAL REPORTING REQUIREMENT AFTER THE YEAR END

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

a) Transactions executed and their revenue effects;

b) Report on risk implications of decisions taken and transactions executed;

c) Monitoring of compliance with approved policy, practices and statutory/regulatory requirements;

d) Performance report;

e) Report on compliance with CIPFA Code recommendations.

17. TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

17.1. STATUTORY/REGULATORY REQUIREMENTS

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

17.2. ACCOUNTING PRACTICES AND STANDARDS

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

17.3. SAMPLE BUDGETS / ACCOUNTS

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

17.4. LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS

a) Reconciliation of loans, investments, interest, premiums and discounts to financial ledger.

b) Confirmation of loans and investments balances.

c) Maturity analysis of loans outstanding.

d) Annual Treasury Report.

e) Calculation of Revenue Interest.

f) Analysis of accrued interest.

18. TMP8 CASH AND CASH FLOW MANAGEMENT

18.1. ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

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

18.2. LISTING OF SOURCES OF INFORMATION

Estimated cash flow details are compiled using:

a) Schedule of Payment of Revenue Support Grant and National Non-domestic rates; CLG income;

b) Schedule of Payment of the Dedicated Schools grant, DCSF;

c) Revenues payments dates and amounts;

d) Notifications from the Business Support section of any significant grants expected during the year;

e) Schedule of payroll payment dates supplied by the Employee services section with an estimated amount based on the previous years payments;

f) Loan repayments spreadsheet;

g) An estimated figure for creditor payments, based on previous patterns of expenditure. More accurate figures can be obtained two days before payment based on the Creditor BACs figure.

18.3. BANK STATEMENT PROCEDURES

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

18.4. PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

The Council's policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

18.5. ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

a) The Accounts Receivable section gets a daily report of outstanding debtors and takes appropriate action regarding outstanding debt. Monthly reports are sent to the Section 151 Officer.

b) The Accounts Payable section provides monthly statistics of invoices paid to the Section 151 Officer as well as quarterly and annual reports.

18.6. PROCEDURES FOR BANKING OF FUNDS

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

18.7. TMP9 MONEY LAUNDERING

18.8. PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

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

18.9. METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS

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

19. TMP10 TRAINING AND QUALIFICATIONS

19.1. STAFF QUALIFICATIONS

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

19.2. STAFF TRAINING

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

19.3. THE SECTION 151 OFFICER

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

19.4. MEMBER TRAINING

All members should have an appropriate level of training within a year of taking office. Members of the Audit Committee have received this, and it will be periodically updated or provided where membership changes. This will be carried out in-house in conjunction with the Council's treasury management advisors.

20. TMP11 USE OF EXTERNAL SERVICE PROVIDERS

20.1. DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

20.1.1. Banking services

i) Name of supplier of service is Barclays Bank plc. The branch address is:

38 Bridge Street

Morpeth

Northumberland

NE61 1NL

ii) Initial contract commenced 1 June 2015.

iii) The contract for 5 years until 31 May 2020.

iv) Cost of service is variable depending on schedule of tariffs and volumes.

20.1.2. Money-broking and Custodian services

Name of supplier of service:

i) Sterling International Brokers Ltd

10 Chiswell Street

London, EC1Y 4UQ

ii) ICAP Europe Ltd

2 Broadgate,

London, EC2M 7UR

iii) Tullet Prebon (UK) Limited

155 Bishopsgate,

London, EC2N 3DA

iv) Tradition (UK) Ltd

Beaufort House,

15 St Botolph Street,

London, EC3A 7QX

v) King and Shaxson Ltd

Candlewick

120 Cannon Street

London, EC4N 6AS

vi) Barclays Bank PLC

Barclays Stockbrokers,

Tay House,

300 Bath Street,

Glasgow, G2 4LH.

vii) Capita Asset Services – Treasury Solutions

17 - 19 Rochester Row

Westminster

London, SW1P 1QT

viii) BGC Brokers L.P.

One Churchill Place

London, E14 5RD

20.1.3. Consultants'/advisers' services

Treasury Consultancy Services

i) Name of supplier of service is

Capita Asset Services – Treasury Solutions

17 - 19 Rochester Row

Westminster

London

SW1P 1QT

Website: www.capitaassetservices.com

This contract has been extended for two years to July 2016 at a total cost of £26,000.

20.1.4. Leasing Consultancy Services

Chrystal Consulting Ltd was awarded the contract for 4 years until 30 June 2019.

20.1.5. External Fund Managers

None at present.

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

20.2. PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

Tenders are normally awarded on a five yearly basis. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders See TMP2.

21. TMP12 CORPORATE GOVERNANCE

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

Annual Statement of Accounts

Annual Budget

Treasury Management Policy

Treasury Management Strategy

Annual Treasury Report

ANNEX C

CREDIT AND COUNTERPARTY CRITERIA POLICY

The Council recognises the need for security of principal to be of paramount importance. In recognition of the need to minimise risks associated with its treasury management activities, credit rating criteria, as outlined below will be used to select counterparties with whom the council will place funds. The Section 151 Officer will analyse all counterparties prior to investing funds.

Specified Investments

Type of Organisation	Minimum Credit Rating Criteria		Max Amount of Principal	Max Period
	Fitch	Moody		
UK Local Authorities (Including the North East Combined Authority)	N/A	N/A	Unlimited	15 years (with annual calls)
DMO	N/A	N/A	Unlimited	6 mths
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	Unlimited	12 mths
Semi-nationalised banks	N/A	N/A	£35m per bank £70m per banking group	12 mths
Money Market Funds	AAA	Aaa	£25m per fund (£150m in total)	Instant Access
Deposits and Certificates of Deposit with approved eligible financial institutions which meet the following criteria				
Very High Grade U.K. Clearing Banks / Building Societies	ST: F1+ LT: AA-	ST: P-1 (2)	£25m £50m per banking group	12 mths

Type of Organisation	Minimum Credit Rating Criteria		Max Amount of Principal	Max Period
	Fitch	Moody		
High Upper Medium Grade U.K. Clearing Banks/ Building Societies	ST: F1 LT: A-	ST: P-1 LT: A3	£15m £30m per banking group	12 mths
High Grade Foreign Banks	ST: F1 LT: A-	ST: P-1 LT: A3	£10m Country limit £30m	6 mths

Non-specified Investments

No more than 25% of the total investment portfolio will be placed in non-specified investments.

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

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

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

Rating Symbols

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

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

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

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

Northumberland County Council

Appendix 13

Pay Policy Statement 2017-2018

Northumberland
Northumberland County Council

Pay Policy Statement

April 2017 to March 2018

Purpose

1 The Localism Act 2011 requires the County Council to prepare and publish a pay policy statement. The purpose of such a statement is to articulate the Council's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. The Council also wishes to ensure that it operates on the principles of equal pay for work of equal value, and also within the various other legislative requirements, including the Equality Act 2010.

2 This policy statement applies to the 2017-18 financial year and has been approved at a meeting of the full County Council which was open to the public and observers. It will be reviewed annually and takes into account the guidance on openness issued by the Secretary of State for Communities and Local Government.

Scope

3 The policy applies to all Council employees although it does not normally refer to particular individuals (except where specifically agreed) to ensure the Data Protection Act is adhered to. This policy does not apply to school staff as it is the responsibility of each school to determine their own pay policies.

4 The Council's policies and schemes relating to Data Transparency, and the guidance on transparency issued by the Secretary of State for Communities and Local Government should be read in conjunction with this pay policy statement.

Publication

5 This policy will be published on the Council's internet site and will be made available to the community. This will enable local people to have an informed view of whether local decisions on all aspects of remuneration are reasonable and make the best of public funds.

Salaries of Chief Officers and Senior Posts

6 The Council's management structure, along with the salaries of the Council's Chief Officers and its most senior staff will be published on the Council's internet site. Other than the Chief Fire Officer and the Deputy Chief Fire Officer, these posts are evaluated using the Local Government Employers job evaluation scheme and the salary bands are determined by Full Council. When determining salary bands, the Council takes into account a number of factors, including:

- The current labour market;
- The Council's senior management structure, financial situation and foreseeable future changes to these;
- The total remuneration package;
- How pay is linked to remuneration of the wider workforce and national negotiating frameworks;
- The costs over the short, medium and long term.

The Committee also has access to appropriate independent expert advice where necessary. Senior management pay bands will increase in line with the nationally negotiated pay increase for the NJC for Local Government Services employees. The Committee also has the discretion to agree additional pay points if required.

The Chief Fire Officer, and the Deputy Chief Fire Officer posts are evaluated having regard to the provisions of the National Joint Council for Brigade Managers of Fire and Rescue Services, and to other fire authorities, local circumstances, local labour markets, and the points outlined above.

7 For the purpose of this policy statement, the Council defines its senior posts as those at Head of Service level and above.

8 The Council's Chief Executive works within the national conditions of service covered by the JNC for Chief Executives. The Deputy Chief Executive, Directors and Heads of Service above Band 14 are covered by the JNC for Chief Officers.

9 The data publicised for senior posts will detail the post title, the banding range (as recommended by the Department for Communities and Local Government in its guidance on Data Transparency), and the name of the current post holder. The conditions of service for senior staff require them to agree to the publication of such information.

10 All senior staff are appointed to a spot point within their salary range and there is no automatic incremental progression within the range. The default position is that there is no increment awarded, however, the Head of Paid Service will review the performance of each post holder and may award an increment in accordance with the Senior Manager Terms and Conditions of Employment. There is no “earn back" scheme in operation.

11 In addition to the above, for Chief Officer posts, salary and any other fees, allowances, bonuses, performance related pay, and benefits in kind that the post holder would routinely be entitled to will also be published in the Council's Statement of Accounts. The following posts are defined as Chief Officers:

- Chief Executive
- Deputy Chief Executive

12 Senior Officers are employed on terms and conditions of service, known as *Northumberland County Council Terms & Conditions for Senior Management*, which are locally determined and are supplemented by policies of the Council.

13 All County Council employees covered by this pay policy statement who have a contract of employment for at least 3 months, and, all Fire Authority employees, are automatically enrolled into the appropriate pension scheme i.e. the Local Government Pension Scheme (LGPS) or the Firefighters Pension Scheme. The employer will make pension contributions to those schemes. In respect of the LGPS, the current employers contribution rate is 15.8 % of pensionable pay (forecast to rise to 18.5% from 1 April 2017) in respect of future service accruals and, in addition, lump sum payments are made in respect of the past service deficit. In respect of the old Firefighters Pension Scheme (the scheme in existence prior to 6 April 2006) the employer pays a pension contribution of 21.7% of pensionable pay. In respect of the Firefighters Pension Scheme which commenced on 6 April 2006 the employer pays 11.9% of pensionable pay and in respect of the Firefighters Pension Scheme which commenced on 1 April 2015 the employer pays 14.3% of pensionable pay. Employees can opt of out of their pension scheme if they wish.

14 If a Chief Officer or Senior Officer is the lead professional officer in the Council, the Council will pay for membership of one professional institution. Additional subscriptions may be paid if the individual's membership is on behalf of the Council as a corporate body. Any subscription of this type must be approved in advance by the Head of Paid Service.

15 Any appointment within the Council that attracts a salary package of £100,000 or more will be considered by Full Council before it is advertised. Members will be given the opportunity to vote on whether they agree with proceeding with the recruitment for the post. Salary package in this respect includes salary and any other fees, allowances, bonuses and benefits in kind that the post holder would routinely be entitled to. This does not include the employers' pension contributions should the post holder choose to join a pension scheme.

Salaries of Posts below Head of Service

16 The band applicable to a post in bands 1-10 (spinal column point 6–49 inclusive) is determined using the job evaluation scheme recommended by the NJC for Local Government Services. A panel of experienced trade union representatives and HR officers evaluate each post using agreed job descriptions. Posts in bands 11-13 (spinal column point 50–61 inclusive) are evaluated using the Local Government Employers job evaluation scheme. There is a right of appeal against the grade determined for the job in accordance with a locally agreed procedure. There is also an agreed procedure for consideration of individual re-grading requests.

17 There are thirteen bands covering posts below Head of Service. Each band has a number of spinal pay points with a differential falling within agreed parameters. It is the Council's policy to appoint at the bottom of the relevant pay band with

agreed rules around appointment, promotion or re-grading to a post with a higher maximum salary. In exceptional circumstances where this is not the case, appointing officers are required to provide clear evidence so that the principles of equal pay for work of equal value are not undermined.

18 Pay bands will be updated annually in line with guidance from the National Employers. Incremental progression within each pay band is normally applicable from 1 April each year up to the maximum of the band, subject to six months' service within the band. Where the service requirement is not met on 1 April, the increment will be paid on the six-month anniversary of the employee's start date on that band.

19 The Council's arrangements for remuneration in respect of additional payments and allowances are outlined in Northumberland County Council's Terms and Conditions of Employment, as are the methods of calculating pay for part time and term time only workers.

Salaries of Other Posts

20 There are a small number of other staff groups employed by the Council who are not covered by Northumberland County Council's Terms and Conditions of Employment. The pay levels for Youth and Community Workers, Tutors, Soulbury employees, centrally employed Teachers, Coroners, Uniformed Fire Fighters and Fire Fighter Senior Managers are determined by applying the relevant rules applicable within their own nationally agreed terms and conditions.

Relationship between Senior Posts and Lowest Paid Posts

21 As at December 2016, the Council's pay multiple i.e. the ratio between the highest paid employee and the median average earnings is 8.29. This pay multiple is considered to be appropriate and not represent an excessive pay gap.

Severance and Redundancy Payments

22 In accordance with the discretions provided within Local Government Regulations, the Council maintains a local severance/redundancy payments scheme. This is reviewed annually and is published on the Council's internet site. Any changes to this scheme are consulted upon with the relevant trade unions recognised by the Council for collective bargaining purposes. Any significant changes to the scheme must be approved by the Policy Board. This scheme is not contractual, and the County Council may vary the discretionary terms of the scheme. Payments must always be in the financial and managerial interests of the County Council and all cases must be approved by the relevant Executive Director and the Head of Paid Service or his/her nominated representative. Any discretionary elements of the scheme are subject to Staff and Appointments Committee approval.

23 Severance or redundancy payments made to any Chief Officers and Senior Officers will be published in the Council's Statement of Accounts as required.

24 The Staff and Appointments Committee has delegated authority from Full Council to approve severance and redundancy payments for Chief Officers, unless the severance package (including redundancy, any discretionary elements, strain on pension fund costs and any pay in lieu of notice) exceeds £100,000, in which case the proposal must be approved by Full Council.

25 Any severance or redundancy package for any other employee where the cost exceeds £100,000 (including redundancy pay, any discretionary elements, strain on pension fund costs and any pay in lieu of notice) must be approved by Full Council.

Additional Special Payments

26 To ensure the Council has sufficient flexibility to cope with a variety of circumstances, foreseeable or not, the Head of Paid Service or an individual nominated by the Head of Paid Service may agree the use of market supplements or other such mechanisms for individual categories of posts, individual posts, or individual employees.

27 The Returning Officer receives a fee for election duties. For local elections the fee is £100 per contested division which equates to £6,700 when elections are held every four years. Some of the Deputy Returning Officers are also senior managers of the Council. They will normally receive payments of £60 per division but the amount will vary with the nature and scope of their duties. For national and European elections Returning Officer fees are set nationally. The remuneration is made to reflect the civil and criminal liabilities that accompany the roles. These and other election related fees are not included in the standard remuneration for posts and are paid separately.

Re-Employment of Former Employees

28 The Council's policy is that there is no general restriction on any future re-employment of an employee who has been made redundant or who is in receipt of a Local Government or other public sector pension. In fact, to adopt policies to the contrary could be subject to challenge under equalities legislation. However, such re-employment should be unconnected with the redundancy, except where alternative employment is found and pension and redundancy payments are returned in accordance with the relevant legislation. The County Council does not approve of 'deals' involving the redundancy or early retirement, and immediate re-employment of staff either as direct employees, via an agency, or on a consultancy basis. If there are any exceptional circumstances which might appear to justify such arrangements, these must be agreed in advance with the relevant Executive Director and the Head of Paid Service or his/her nominated representative.

Pay Protection

29 The Council's Pay Protection and Detriment Scheme outlines the circumstances where it is appropriate to provide pay protection.

Secondary Employment

30 Chief Officers may undertake secondary employment if a declaration is made, formal approval is sought and subsequently approved by the Leader of the Council.

31 Senior Officers may undertake secondary employment if a declaration is made, formal approval is sought and subsequently approved by the Head of Paid Service.

Policy Review

32 This policy statement will be reviewed annually and any disputes relating to interpretation will be considered by the Head of Paid Service or a person nominated by the Head of Paid Service who will be the final arbiter. Where unforeseen circumstances require flexibility of this policy, the Head of Paid Service, or the Staff and Appointments Committee if the matter concerns a Senior Officer, will have the power to implement changes. Any deviation from the policy in-year will be reported to full Council at the next review date.

Northumberland County Council

Appendix 14

Pay Policy Statement Equality Impact Assessment 2017-2018

Northumberland County Council

Equality Impact Assessment Template

Duties which need to be considered:

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

PART 1 – Overview of the change, decision or proposal

1. Title of the change, decision or proposal:

   Pay Policy Statement 2017-2018

2. Date of equality impact assessment:

   3 January 2017

3. Brief description of the change, decision or proposal:

   Proposed pay policy statement for Northumberland County Council

4. Name(s) and role(s) of officer(s) completing the assessment:

   Kelly Angus, Director of Human Resources

5. Overall, what are the outcomes of the change, decision or proposal expected to be?

   The Localism Act 2011 requires the County Council to prepare and publish a pay policy statement. The purpose of such a statement is to articulate the Council's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. The Council also wishes to ensure that it operates on the principles of equal pay for work of equal value, and also within the various other legislative requirements, including the Equality Act 2010.

6. If you judge that this proposal is **not** relevant to some protected characteristics, tick these below (and explain underneath how you have reached this judgement).

   Disability ☐ Sex ☐ Age ☐ Race ☒ Religion ☒ Sexual orientation ☒

People who have changed gender ☒ Women who are pregnant or have babies ☐

Employees who are married/in civil partnerships ☒

Double-click this link to modify the form to match this list

The characteristics checked above are not relevant because:

The pay policy statement relates to how pay and reward is set and maintained within the Council. Pay Policies can impact on the protected characteristics detailed above, however those not included in this assessment are not relevant to this policy as they do not impact on how the pay policy is set or maintained.

PART 2 – Relevance to different Protected Characteristics

Answer these questions both in relation to people who use services and employees

Disability

***Note**: "disabled people" includes people with physical, learning and sensory disabilities, people with a long-term illness, and people with mental health problems. You should consider potential impacts on all of these groups.*

7. What do you know about usage of the services affected by this change, decision or proposal by disabled people, about disabled people's experiences of it, and about any current barriers to access?

The Council's employee records detail those employees who consider themselves to have a disability. When determining the general principles of the pay policy statement, individual circumstances are not considered and there are no barriers for disabled employees as the policy applies across the board.

8. Could disabled people be disproportionately advantaged or disadvantaged by the change, decision or proposal?

Can only be advantaged in that the decision to adopt a pay policy statement will ensure there is transparency in how the Council pays and rewards its staff.

9. Could the change, decision or proposal affect the ability of disabled people to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No

10. Could the change, decision or proposal affect public attitudes towards disabled people? (e.g. by increasing or reducing their presence in the community)

No

11. Could the change, decision or proposal make it more or less likely that disabled people will be at risk of harassment or victimisation?

No

12. If there are risks that disabled people could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

No disadvantage by the policy statement. There are other safeguards in place that relate to pay policy decisions which protect disabled people. These are detailed in other HR policies e.g. making reasonable adjustments for disabled people in employment.

13. Are there opportunities to create *positive* impacts for disabled people linked to this change, decision or proposal?

The requirement to publish data and monitor salary and salary differential could mean that any disproportionate effect on disabled people will be highlighted earlier and action can be taken to address such issues.

Sex

14. What do you know about usage of the services affected by this change, decision or proposal by males and females, about their experiences of it, and about any current barriers to access?

The Council's employee records detail the split between gender. Although this pay policy statement itself does not cover gender issues, to does cross reference to other documents and policies which address gender issues. During 2017-18 Northumberland County Council will fully participate in Mandatory Gender Pay Gap reporting which will provide further transparency in relation to gender and pay.

15. Could males or females be disproportionately advantaged or disadvantaged by the change, decision or proposal?

Either could be advantaged by the adoption of a pay policy statement as regular publishing and monitoring will identify any gender related issues that can then be addressed openly. It is generally the case that women are the lowest paid group and the specific reference to the Council's pay multiple (and monitoring of that multiple) should highlight any drift between the highest paid employee and the lowest.

16. Could the change, decision or proposal affect the ability of males or females to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No

17. Could the change, decision or proposal affect public attitudes towards males or females? (e.g. by increasing or reducing their presence in the community)

No

18. Could the change, decision or proposal make it more or less likely that males or females will be at risk of harassment or victimisation?

No

19. If there are risks that males or females could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

Monitoring and publishing of data will help the Council to address any gender related issues in a transparent way and in a timely manner. The pay policy statement cross references to the Equality Impact Assessment undertaken during the 2011 job evaluation exercise which concludes that the Council's pay and grading structure is 'equality proofed'.

20. Are there opportunities to create *positive* impacts for males or females linked to this change, decision or proposal?

Should published data present any disproportionate pay related matters then the Council may use that information to promote opportunities for the relevant disadvantaged group.

Age

21. What do you know about usage of the services affected by this change, decision or proposal by people of different age groups, about their experiences of it, and about any current barriers to access?

The Council's employee records detail the age of employees. Although this pay policy statement itself does not cover age issues, to does cross reference to other documents and policies which address age issues.

22. Could people of different age groups be disproportionately advantaged or disadvantaged by the change, decision or proposal?

No, not directly by this policy statement, however there are other policies in place to ensure that age is only taken into account when considering pay and reward where there is reasonable justification to do so eg annual increments which do not exceed 5 years service.

23. Could the change, decision or proposal affect the ability of people of different age groups to participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

Yes, the Council's current Pensions abatement policy could mean that some people who have valuable skills but who also have a local government pension are discouraged from working in the public sector as their pension will be abated. However, this policy is justified in that it ensures that taxpayers are getting value for money and sets an example on pay restraint (as required under the Localism Act).

24. Could the change, decision or proposal affect public attitudes towards people of different age groups? (e.g. by increasing or reducing their presence in the community)

No

25. Could the change, decision or proposal make it more or less likely that people of different age groups will be at risk of harassment or victimisation?

No

26. If there are risks that people of different age groups could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

Monitoring and publishing of data will help the Council to address any age related issues in a transparent way and in a timely manner. The pay policy statement cross references to the Equality Impact Assessment undertaken during the 2011 job evaluation exercise which concludes that the Council's pay and grading structure is 'equality proofed'. A risk has been identified which will not be eliminated as people with pensions may be discouraged from returning to work full time at their previous level. This however is an acceptable and proportionate risk as the purpose of a pension is not to supplement income to a level above that enjoyed previously.

27. Are there opportunities to create *positive* impacts for people of different age groups linked to this change, decision or proposal?

No

Pregnancy and Maternity

Note: the law covers pregnant women or those who have given birth within the last 26 weeks, and those who are breast feeding.

56. What do you know about usage of the services affected by this change, decision or proposal by pregnant women and those who have children under 26 weeks, about their experiences of it, and about any current barriers to access?

The National Conditions of service, supplemented by more generous local terms cover the pay and reward policy in respect of pregnancy and maternity leave. This pay policy statement does not impact on the established arrangements which are subject to separate equality impact assessments.

57. Could pregnant women and those with children under 26 weeks be disproportionately advantaged or disadvantaged by the change, decision or proposal?

No, not directly by this policy statement, however there are other policies in place to ensure that service whilst pregnant or on maternity leave is counted when considering pay and reward.

58. Could the change, decision or proposal affect the ability of pregnant women or those with children under 26 weeks participate in public life? (e.g. by affecting their ability to go to meetings, take up public appointments etc.)

No

59. Could the change, decision or proposal affect public attitudes towards pregnant women or those with children under 26 weeks? (e.g. by increasing or reducing their presence in the community)

No

60. Could the change, decision or proposal make it more or less likely that pregnancy women or those with children under 26 weeks will be at risk of harassment or victimisation?

No

61. If there are risks that pregnant women or those with children under 26 weeks could be disproportionately disadvantaged by the change, decision or proposal, are there reasonable steps or adjustments that could be taken to reduce these risks?

No risks

62. Are there opportunities to create *positive* impacts for pregnant women or those with children under 26 weeks linked to this change, decision or proposal?

None

Human Rights

66. Could the change, decision or proposal impact on human rights? (e.g. the right to respect for private and family life, the right to a fair hearing and the right to education)

No

PART 3 - Course of Action

67. Based on a consideration of all the potential impacts, tick one of the following as an overall summary of the outcome of this assessment:

☐	The equality analysis has not identified any potential for discrimination or adverse impact and all opportunities to promote equality have been taken.
☐	The equality analysis has identified risks or opportunities to promote better equality; the change, decision or proposal will be adjusted to avoid risks and ensure that opportunities are taken.
☒	The equality analysis has identified risks to equality which will not be eliminated, and/or opportunities to promote better equality which will not be taken. Acceptance of these is reasonable and proportionate, given the objectives of the change, decision or proposal, and its overall financial and policy context.
☐	The equality analysis shows that the change, decision or proposal would lead to actual or potential unlawful discrimination, or would conflict with the Council's positive duties to an extent which is disproportionate to its objectives. It should not be adopted in its current form.

68. Explain how you have reached the judgement ticked above, and summarise any steps which will be taken to reduce negative or enhance positive impacts on equality.

The pay policy statement will ensure that decisions relating to pay and reward are considered across the Council as a whole.

PART 4 - Ongoing Monitoring

69. What are your plans to monitor the actual impact of the implementation of the change, decision or proposal on equality of opportunity? (include action points and timescales)

The EIA in respect of the 2011 Single Status and Job Evaluation outcomes requires monitoring of various aspects of pay and reward. Incremental progression, starting salaries, and pay drift will all be monitored by the Council. The annual pay policy statement will compare the Council's pay multiples and appropriate action will be considered by full Council annually.

PART 5 - Authorisation

70. Name of Head of Service and Date Approved

Kelly Angus, Director of Human Resources January 2017

Once completed, send your full EIA to: Irene.Fisher@northumberland.gov.uk. A summary will then be generated corporately and published to the Council's website.

Northumberland
Northumberland County Council

Northumberland County Council
County Hall, Morpeth
Norhumberland NE61 2EF

(T) 0345 600 6400
www.northumberland.gov.uk