Public Document Pack

Cabinet

Please contact: Emma Denny

Please email: emma.denny@north-norfolk.gov.uk
Please Direct Dial on: 01263 516010

Friday, 24 July 2020

A meeting of the **Cabinet** of North Norfolk District Council will be held in the remotely via Zoom on **Monday, 3 August 2020** at **10.00 am**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

PUBLIC ATTENDANCE AND PUBLIC SPEAKING – COVID-19
Please note that due to the Covid-19 restrictions, meetings of cabinet will be held remotely via Zoom video conferencing and live streamed on YouTube.

***Public speaking:* If you wish to speak on an agenda item, please email emma.denny@northnorfolk.gov.uk no later than 5.00 pm on the Thursday before the meeting and include a copy of your statement. You will have the opportunity to make your statement by video link but in the event that this is not possible, or if you would prefer, your statement will be read out by an officer.**

This meeting will be broadcast live to YouTube and will be capable of repeated viewing. The entirety of the meeting will be filmed except for confidential or exempt items. If you attend the meeting and make a representation you will be deemed to have consented to being filmed and that the images and sound recordings could be used for webcasting/ training purposes.

Emma Denny
Democratic Services Manager

To: Mr A Brown, Mrs S Bütikofer, Mrs A Fitch-Tillett, Ms V Gay, Mr G Hayman, Mr R Kershaw, Mr N Lloyd and Mr E Seward

All other Members of the Council for information.
Members of the Management Team, appropriate Officers, Press and Public

IN TRAN
communication for all

If you have any special requirements in order to attend this meeting, please let us know in advance
If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. MINUTES 1 - 8

To approve, as a correct record, the minutes of the meeting of the Cabinet held on 6th July 2020.

3. PUBLIC QUESTIONS AND STATEMENTS

To receive questions and statements from the public, if any.

4. ITEMS OF URGENT BUSINESS

To determine any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B(4)(b) of the Local Government Act 1972

5. DECLARATIONS OF INTEREST

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The Code of Conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest

6. MEMBERS' QUESTIONS

To receive oral questions from Members, if any

7. OVERVIEW & SCRUTINY MATTERS

To consider any matters referred to the Cabinet by the Overview & Scrutiny Committee for reconsideration by the Cabinet in accordance within the Overview and Scrutiny Procedure Rules

8. RECOMMENDATIONS FROM CABINET WORKING PARTIES

At the meeting of the Planning Policy & Built Heritage Working Party held on 13th July 2020, the following recommendations were made to Cabinet:

Item 7

FIVE YEAR LAND SUPPLY STATEMENT 2020

RECOMMENDED

That the Five Year Land Supply Statement 2020 is published.

Item 8

LOCAL PLAN SITE ALLOCATIONS: Briston / Melton Constable, Cromer & Blakeney

RECOMMENDED

1. **That the following sites be identified for inclusion in the Local Plan:**

Settlement	Site reference number	Site Description
Briston	BRI01	Land east of Astley Primary School
Briston	BRI02	Land west of Astley Primary School
Blakeney	BLA01	Land south of Morston Road
Cromer	C07/2	Land at Cromer High Station
Cromer	C16	Former Golf Practice Ground (subject to s comprehensive drainage strategy)
Cromer	C22/1	Land west of Pine Tree Farm (subject to being resolved)

2. **That the following site is removed from the Local Plan:**

Settlement	Site reference number	Site Description
Blakeney	BLA04/A	Land east of Langham Road

3. **That consideration of site C10/1 (Land at Runton Road/Clifton Park) is deferred pending an opportunity to consider the deliverability of sites C18 (Land south of Burnt Hills) and C42 (Roughton Road South).**

4. **The final policy wording is delegated to the Planning Policy Manager.**

9. COVID 19 FINANCIAL IMPLICATIONS - 2020/21 REVISED BUDGET UPDATE 9 - 30

Summary:	This report follows the previous COVID-19 financial update provided to Members in May, at which time a net budget deficit of c£1m was being forecast for the 2020/21 financial year. The anticipated year end deficit is now forecast to have reduced significantly from the previous report to around £0.4m although it should be noted this is still based on a number of assumptions about future funding and income pressures and assumptions regarding further government support which are discussed in more detail within the body of the report. This second report provides a further update and follows the government announcement made on 2 July in respect of additional support towards lost income. It contains high level proposals for revising the 2020/21 budget to ensure that budget monitoring for the remainder of the year is meaningful, whilst also considering the

impact on the Council's medium term financial position.

The coronavirus COVID-19 pandemic continues to represent a significant challenge for the District Council which will continue to impact on the Council's resources and budget during 2020-21 and future years.

Options considered: This report sets out the current high level forecasts relating to the COVID-19 pandemic taking account of the latest central government support package. There are a number of options considered based on the recommendations made within the previous report in respect of capital resources, budget re-prioritisation, savings and reserves.

Conclusions: The country continues to face an unprecedented public health crisis which will have impacts on the Council's expenditure and income during the current financial year and future budgets It will continue to be important to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for the District so that we can continue to deliver vital services to residents, businesses and visitors and this includes the current year and beyond.

The current pandemic demands very different ways of working and will require ongoing review and consideration of current and future priorities as well as different and innovative service delivery models. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely challenging for the foreseeable future, none of which is helped by the ongoing delays to the various local government funding reviews. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have been significantly undermined by the current crisis.

The current projected budget position (c£0.4m deficit 2020/21) is constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months. The report contains high level proposals for revising the 2020/21 budget to ensure that budget monitoring for the remainder of the year is meaningful.

Recommendations:

It is recommended that Cabinet note and agree:

1. **The current package of financial support being provided to the Council by the government to support its response to COVID-19 and the continued importance of central government lobbying for further additional financial support;**

2. **The updated forecast cost and income pressures being faced by the Council and the extent to which they exceed the available government funding and therefore the requirement for any deficit to be funded from alternative Council resources;**

3. **The proposals for revising the budget at the current time (and the one-off costs to be funded from reserves) to ensure that budget monitoring for the remainder of the year is meaningful, including funding any year end deficit from the Property Reserve (£0.4m);**

4. **The various caveats and risks associated with the current forecasts and;**

5. **The proposals in respect of updating the Medium Term Financial Strategy (MTFS) and the financial planning framework for the 2021/22 budget.**

Reasons for Recommendations:

To update Members in respect of the impact of COVID-19 on the Council's budget and resource position for 2020/21 and indeed future years.

Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All

Contact Officer, telephone number and email: Duncan Ellis (Head of Finance & Assets), ext 6330, Duncan.ellis@north-norfolk.gov.uk

10. TREASURY MANAGEMENT ANNUAL REPORT 2019/20 31 - 40

Summary:	This report sets out the Treasury Management activities actually undertaken during 2019/20 compared with the Treasury Management Strategy for the year.
Options Considered:	This report must be prepared to ensure the Council complies with the CIPFA Treasury Management and Prudential Codes.
Conclusions:	Treasury activities for the year have been carried out in accordance with the CIPFA Code and the Council's Treasury Strategy.
Recommendations:	That the Council be asked to RESOLVE that The Treasury Management Annual Report and Prudential Indicators for 2019/20 are approved.
Reasons for Recommendation:	Approval by Council demonstrates compliance with the Codes.

Cabinet Member(s): Cllr Eric Seward	Ward(s) affected: All

Contact Officer, telephone number and email: Lucy Hume, 01263 516246, lucy.hume@north-norfolk.gov.uk

11. DEBT RECOVERY 2019/2020 41 - 64

Summary:	This is an annual report detailing the council's collection performance and debt management arrangements for 2019/20 The report includes a: ▪ A summary of debts written off in

each debt area showing the reasons for write-off and values.

- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

Recommendations:

1) To approve the annual report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.
2) To agree the Debt Write Off Policy (shown in Appendix 2)
3) To agree the use of High Court Enforcement Agents if considered necessary (shown in Appendix 3)

Cabinet member(s):	Eric Seward
All	All
Contact Officer, telephone number, and e-mail:	Sean Knight 01263 516347 Sean.Knight@north-norfolk.gov.uk

12. OFFICER DELEGATED DECISIONS - JUNE TO JULY 2020 65 - 70

Summary: This report details the decisions taken by Senior Officers under delegated powers from 19th June to 24th July 2020.

Options considered: Not applicable.

Recommendations: **To receive and note the report and the register of officer decisions taken under delegated powers.**

Reasons for Recommendations: The Constitution: Chapter 6, Part 5, sections 5.1 and 5.2. details the exercise of any power or function of the Council where waiting until a meeting of Council or a committee would disadvantage the Council. The Constitution requires that any exercise of such powers should be reported to the next meeting of Council, Cabinet or working party (as appropriate)

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

Delegated decision forms – as completed by the relevant officer

Cabinet Member(s)	Ward(s) affected
All	All

Contact Officer, telephone number and email:
Emma Denny, Democratic Services Manager, 01263 516010

13. PROPERTY TRANSACTION, LEASE RENEWAL AT CROMER PROMENADE 71 - 82

Summary:	The tenant concerned approached the Council in 2019 with regards to extending the term of the ground lease as the lease had 4 remaining years. This was to give them greater certainty over continuing their business at that site particularly as they had recently invested in their premises.
Options considered:	To continue with the existing lease. As the lease only has a relatively short period till it expires, it offers no security to either the tenant to enable them to invest in their premises nor the Council in terms of an ongoing rental income.
Conclusions:	This proposal seeks to support the Council's financial strategy by optimising income generation through granting a longer term ground lease and by including provisions incorporated within that lease to review the rent.
Recommendations:	**That Cabinet agrees:** • **Surrender of the existing lease** • **Re-grant of new 20 year lease as set out in the exempt Heads of Terms**
Reasons for Recommendations:	The surrender and re-grant of a ground lease will ensure the continued receipt of rental income for a further 20 year period.

Cabinet Member(s)	Ward(s) affected
Cllr G Hayman	

Contact Officer, and email:
Renata Garfoot, Estates & Asset Strategy Manager
Renata.garfoot@north-norfolk.gov.uk

14. EXCLUSION OF PRESS AND PUBLIC

To pass the following resolution:
"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs _ of Part I ofSchedule 12A (as amended) to the Act."

15. PRIVATE BUSINESS

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CABINET

Minutes of the meeting of the Cabinet held on Monday, 6 July 2020 at the remotely via Zoom at 10.00 am

Committee Members Present:

Mr A Brown	Mrs S Bütikofer (Chair)
Mrs A Fitch-Tillett	Ms V Gay
Mr G Hayman	Mr R Kershaw
Mr N Lloyd	Mr E Seward

Members also attending: Mr C Cushing
Mr N Dixon
Mr J Rest

Officers in Attendance:

Chief Executive, Democratic Services Manager, Head of Legal & Monitoring Officer, Head of Finance and Asset Management/Section 151 Officer, Democratic Services and Governance Officer (Scrutiny), Housing Strategy and Delivery Manager, Head of Planning and Head of Environmental Health

1 MINUTES

The Minutes of the meeting held on 18th May were agreed as a correct record and signed by the Chairman.

2 PUBLIC QUESTIONS AND STATEMENTS

None.

3 ITEMS OF URGENT BUSINESS

None.

4 DECLARATIONS OF INTEREST

None.

5 MEMBERS' QUESTIONS

The Chairman reminded Members that they could ask questions during the meeting as issues arose.

6 OVERVIEW & SCRUTINY MATTERS

The Chairman of the Overview & Scrutiny Committee informed Members that there was nothing to report.

7 RECOMMENDATIONS FROM CABINET WORKING PARTIES

The Chairman invited Cllr R Kershaw, Portfolio Holder for Economic & Career Development and Chairman to introduce the first recommendation. He explained that the Working Party was moving to a new phase of overseeing the implementation of the scheme now and the terms of reference had been revised to reflect this.

NORTH WALSHAM HIGH STREET ACTION ZONE WORKING PARTY – 3RD JUNE 2020

Cabinet **RESOLVED**:

To approve the revised Terms of Reference for the North Walsham High Street Action Zone Working Party

The Chairman then invited Cllr A Brown, Portfolio Holder for Planning to introduce the subsequent recommendations. He explained that the Planning Policy and Built Heritage Working Party had made a series of recommendations during May and June and he commended them to Cabinet.

PLANNING POLICY & BUILT HERITAGE WORKING PARTY - MAY 2020

Cabinet **RESOLVED** to approve:

1: The identified sites for inclusion onto the Local Plan in the settlements listed in the report and that
2. The final policy wording is delegated to the Planning Policy Manager

PLANNING POLICY & BUILT HERITAGE WORKING PARTY – 15 JUNE 2020

SITE SELECTION REPORT B: HOLT, HOVETON AND MUNDESLEY

Cabinet **RESOLVED** to endorse:

1: The identified sites for inclusion onto the Local Plan in the following settlements and that

2. The final policy wording is delegated to the Planning Policy Manager

3. The following site is removed from the Local Plan: Holt, H04, Land south of Beresford Road

Agenda Item 8: OPEN SPACE

Cabinet **RESOLVED**

1. That the findings of the Open Space, Sport and Recreation Study (Part 1) are accepted and the Open Space calculator used for subsequent planning applications and the proposed allocations within the Local Plan.

2. That the revised wording of Policy ENV 7 is endorsed and that responsibility for drafting such an approach, including that of finalising the associated

policy is delegated to the Planning Policy Manager.

8 APPOINTMENT TO THE BROADLAND FUTURES INITIATIVE FORUM

The Chairman informed Members that the Broadland Futures Initiative Elected Members Forum was a new body. The overall initiative aimed to work in partnership with local communities and other stakeholders to identify the way forward regarding flood risk management in the Broads. The Elected Members Forum would be making the core decisions in order to agree a framework for future flood risk management that would cope with the changing climate more effectively. The Chairman said that she nominated Cllr H Blathwayt for the role. She thanked Cllr Fitch-Tillett, Portfolio Holder for the Coast for offering to help support Cllr Blathwayt in the role.

Cllr J Rest sought clarification on the whether the initiative related specifically to the Broads or to the wider Broadland constituency. The Chairman replied that it related to the Broads and as Cllr Blathwayt was the Council's representative on the Broads Authority and he would be the ideal person to sit on the Forum. Cllr A Fitch-Tillett added that the initiative focussed on the Broads National Park and would look at how water resources were managed and how to improve synergy with coastal management schemes.

It was proposed by Cllr S Butikofer, seconded by Cllr A Fitch-Tillett and

RESOLVED

To appoint Cllr H Blathwayt to the Broadland Futures Initiative Forum

9 NORTH NORFOLK DISTRICT COUNCIL'S TRANSITION FROM RESPONSE TO RECOVERY IN RESPONDING TO THE CORONAVIRUS PANDEMIC

The Chairman began by thanking everyone for their support and hard work as the Council entered the recovery phase of the pandemic. She referred to the 'You are Welcome' campaign which had been recently launched. North Norfolk District Council had redeployed a number of officers to help coordinate the District's recovery following the Government's relaxation of lockdown rules. Their role was to provide support, offer advice, signpost people to guidance and liaise between relevant stakeholders. The aim was to ensure a safe environment for businesses, residents and visitors to the area and deliver the 'You are Welcome' message to everyone. They would be working in partnership with other public bodies, such as Town and Parish Councils, Chambers of Trade and the County Highways Department to assist in the delivery of this recovery stage and help businesses who were hoping to reopen their doors. She said that despite a lot of positive response to the scheme, she had been dismayed to hear of the poor treatment of some officers and contractors.

The Chairman then went on to inform Members that unfortunately play parks could still not open as the regulations did not currently allow for this. The Council had made representations to central Government and were hopeful of a resolution soon.

The Chairman then spoke about the exceptional work undertaken by the Business Support and Finance teams in recent weeks, with almost £50m of grants now paid to local businesses. However, she said that it should be acknowledged that the road to recovery would not be easy and the Economic Development Team were stepping up efforts to provide support where it was needed.

She said that a huge amount of work was ongoing to manage any local outbreaks of the virus should any arise and a Norfolk Local Outbreak Control Plan had been drafted to support this. She concluded by referring to a meeting of the Norfolk Leader's Group on 3rd July and asked the Chief Executive to outline the details of what had been agreed.

The Chief Executive began by saying that, as part of its response to COVID19, the District Council had been working with local authority partners across Norfolk and with the New Anglia LEP to propose and agree a package of measures to help local businesses respond to and recover from the significant economic "shock" which had been brought about by the COVID lockdown, which had impacted upon all sectors of the economy. This work had culminated in agreement of the New Anglia Local Enterprise Partnership's Norfolk and Suffolk Economic Recovery and Restart Plan and a proposal to establish a Norfolk Strategic Fund aimed at "kick-starting" some key economic infrastructure and workforce skills projects across the County in support of the Government's objectives of accelerating delivery of projects which would enable or facilitate the earlier delivery of economic recovery. It was proposed that the Norfolk Strategic Fund be made up with £1million from Norfolk County Council; £1million from the New Anglia Local Enterprise Partnership; £1,050million from the seven District Councils (£150,000 each) and with a proposition being put to Government that the local funding commitment was "matched" through either Business Rate Pool funds or other Government funds available locally giving a "Fund" of at least £6million.

The Fund would be administered by the County Council's Economic Programmes Team, using similar criteria as for projects developed for funding through the existing Business Rate Pool Programme, with projects being approved through the Norfolk Leaders Group. The Chief Executive said that the Council was therefore being asked to provide a £150,000 match-funding contribution towards the Norfolk Strategic Fund and, following discussion with the Cabinet Portfolio Holder for Finance and the Head of Finance and Assets, it was advised that this

contribution could be met from the previously agreed North Norfolk District Council Delivery Plan Reserve.

Cabinet was asked to approve the District Council's participation in the Norfolk Strategic Fund proposal through providing a match-funding contribution of £150,000 and attaching any conditions, if appropriate.

The Monitoring Officer advised Members that this was a key decision and the consent of the Chairman of the Overview & Scrutiny Committee was required before a decision was taken.

The Chairman invited Members to speak:
Cllr E Seward, Portfolio Holder for Finance said that he would like to see some examples of the projects that the investment would be funding.

Cllr G Hayman, Portfolio Holder for Commercialisation & Assets, asked whether the Council would have a 'seat at the table' when decisions were being made. He also sought clarification as to whether the Council would receive the money back if match-funding was not secured. If it was secured, then could Members be reassured that a proportion of the funding would be invested in the District. In conclusion, he asked whether the Council had ‘oven-ready’ plans prepared to put forward to the decision-making meetings in September. The Chairman confirmed that the Council would have a ‘seat at the table’ as she had some concerns about how funding provided by other bodies had been distributed across the District in recent weeks and she was determined to ensure that the Council would receive its fair share from the Norfolk Strategic Fund.

The Chief Executive said that Members could decide to attach conditions to the funding, potentially agreeing that a proportion of the overall pot should come back to the District. All projects that were put forward would be assessed by Norfolk County Council’s Economic Project’s team and would be reported through the Chief Executives and then the Norfolk Leader’s Group. There was a strategic element to some of the proposals and this could be why North Norfolk had been disadvantaged in the past. He added that the Leader and himself would continue to press the Council’s strategic partners on this. Regarding the match-funding element of the scheme and whether the Council could withdraw if other partners or the Government did not contribute in the way that was anticipated, he said that he felt that the scheme would continue in some form. In response to the issue of projects that were ready to be put forward, he confirmed that there were several that could go forward for assessment and said that he would share details in the coming days.

Cllr C Cushing commented that North Norfolk had been somewhat slower than Broadland District Council in distributing the decals and hand sanitising stations across the market towns. He asked the Leader to confirm that they were now all distributed. She replied that although the Council may have appeared slower it was because there were nine towns to support as part of this initiative compared to just two for some other areas. She said that the Council had worked closely with town and parish councils and that there had been a slight delay due to the coverage for the decals having to come from Germany. Most of the stickers were now in place and there were just a few more hand sanitising stations to install. The Head of Environmental Health confirmed that his team had been working hard to ensure that everything was in place across the District. He said that the number of towns combined with the level of tourists visiting, meant that more support was required than in neighbouring areas. The Chief Executive added that the Council had opted for decals rather than paint sprayed signs as these were failing in excessive rain or footfall. Fifty hand sanitising stations had been ordered which was a large number and this had led to some delays in the delivery. However, they had now all been received and were in the process of being installed.

Cllr Cushing asked how much was paid to the company that had produced the decals and whether a procurement process was followed to secure the contract. The Chief Executive confirmed that prices were invited from three companies with Structure Flex submitting the most competitive price. The cost of the decals was £33,000 which came from the ‘Reopening the High Street’ budget. He said that disappointingly, this funding had been awarded on the basis of population and this had presented some challenges. The Council wanted to re-open towns and resort areas safely and this had taken a little longer due to the numbers and spread – ten key locations in total. He concluded by saying that he felt that the Council had responded well. Some of the towns had wanted a different approach and the Council had worked with them to accommodate this where possible.

Cllr Cushing then requested an update on the financial impact of the pandemic on the Council. He asked whether a report would be coming forward. The Leader confirmed that this would be coming to an August meeting of Cabinet. It would outline the losses as well as any savings that had been made due the closure of some facilities. Cllr Cushing then asked whether the Portfolio Holder for Finance, Cllr Seward, remained sanguine about the Council's financial position or whether his views had changed.

Cllr Seward replied that this was a 'moving exercise'. He said that the Government had recently come forward with further support for local authorities which included loss of income on parking. If the Council received a reasonable allocation from this, then it would improve the financial position considerably. He added that he remained relaxed about the situation as it remained fluid. Some savings had been made from the closure of facilities, and this together with the possibility of further Government funding meant that the impact of the loss of income may be mitigated to some extent.

Cllr Hayman asked whether any conditions placed on the Council's contribution to the Norfolk Strategic Fund needed to be agreed at this meeting or whether they could be worked up subsequently. The Chief Executive replied that it would be beneficial if they were agreed as part of the decision taken at the meeting.

The Leader then asked the Chairman of Overview and Scrutiny Committee, Cllr Dixon, whether he was prepared to consent to a decision being taken regarding the funding contribution to the Norfolk Strategic Fund. Cllr Dixon confirmed that he was.

The Leader said that she would be reluctant to put a specific figure on the amount of money that the Council would like to see coming back to the District. She asked the Portfolio Holder for Finance if he wished to comment. Cllr Seward said that he would be looking for an appropriate return that matched the significant role that tourism played in the District's economy and the assistance that would be required to ensure that it survived. The Leader agreed, saying that tourism was fundamental to the District and this had already been highlighted as a key issue during discussions with other Leaders.

The Chief Executive thanked Members for their comments. He said that Members had indicated their support for contributing to the fund on the proviso that the important role of the tourism sector was acknowledged and that the proportion of funding returning to the District should reflect this and that any additional funds should be available for drawing down on that basis.

Cllr V Gay, Portfolio Holder for Culture and Wellbeing, referred to the recent announcement from central Government regarding funding for cultural industries. She said that it was welcomed but as yet very little detail had been provided and it may not be known for some time to what extent entertainment venues in North Norfolk would benefit from this.

It was proposed by Cllr S Butikofer, seconded by Cllr R Kershaw and

RESOLVED

To agree the District Council's support for and participation in the Norfolk Strategic Fund proposal with a £150,000 contribution being funded from the Delivery Plan Reserve. This contribution is subject to the following conditions;

1. That the importance of the District's tourism sector to the local economy is

recognised by the Fund

2. That funding returning to the District should reflect the significant contribution that is made by our tourism sector and that additional funds should available for drawing down on this basis.

AGREED

to note the Council's response and arrangements made to support Recovery from the Coronavirus Pandemic; and specifically comment upon the following:-

- the short-term actions proposed in respect of:-

  - opening up the Council's services and facilities;
  - the development and implementation of social distancing measures through the "You are Welcome" programme to assist the Re-opening of our High Streets and Tourist Areas Safely
  - delivery of the Discretionary Business Grant Programme
  - the Council's planning for the return of staff to their main roles from working at home and redeployment into other roles;
  - the implementation of measures so that the Council is able to demonstrate compliance with the COVID-secure workplace guidelines
  - understanding the contribution North Norfolk District Council will make in supporting the partnership actions outlined in the Norfolk Local Outbreak Control Plan which will be a key element of managing any future outbreaks of COVID19 in the District over the coming months.

- the longer term need to review the Council's Medium-Term Financial Strategy in light of the changing financial situation of the Council and as a result undertake a review of the Council's proposed programme of activity as previously detailed in the Corporate Plan and Delivery Plan.

Reason for the decision:

To inform corporate learning from experience gained through the Response and initial Recovery phases of the pandemic, the implication of which will remain with the District for many months to come.

10 DECISIONS TAKEN UNDER OFFICER DELEGATION

The Leader advised Members that this report was for information. It provided a summary of decisions taken by senior officers under delegated powers from 20th May to 18 June 2020.

AGREED

To receive and note the report and the register of officer decisions taken under delegated powers.

Reason for the Decision:

The Constitution: Chapter 6, Part 5, sections 5.1 and 5.2. details the exercise of any power or function of the Council where waiting until a meeting of Council or a committee would disadvantage the Council. The Constitution requires that any exercise of such powers should be reported to the next meeting of Council, Cabinet or working party (as appropriate)

11 PURCHASE OF FURTHER PROPERTY FOR USE AS TEMPORARY ACCOMMODATION FOR HOMELESS HOUSEHOLDS

The Portfolio Holder for Planning and Housing, Cllr A Brown, introduced this item. He explained that the report identified a further suitable property to be purchased for use as temporary accommodation for homeless households. This was the fourth property to be purchased from the allocated budget of £610,000. The property was in a good location and in good condition.

Cllr J Rest referred to the recent Government announcement to suspend stamp duty and he wondered whether this would generate a saving for the Council. Cllr Brown replied that the level of stamp duty on these properties seemed high because the Council owned more than one property, the purchase was subject to a 3% second property stamp duty charge in addition to the stamp duty calculated on the purchase price.

It was proposed by Cllr A Brown, seconded by Cllr V Gay and

RESOLVED

That Cabinet agrees to the purchase of the identified property (subject to an independent valuation and survey) using the budget provision.

Reason for the Decision:

To provide authority for expenditure over £100,000

12 EXCLUSION OF PRESS AND PUBLIC

13 PRIVATE BUSINESS

The meeting ended at 11.04 am.

____
Chairman

COVID-19 FINANCIAL IMPLICATIONS – 2020/21 REVISED BUDGET UPDATE

Summary: This report follows the previous COVID-19 financial update provided to Members in May, at which time a net budget deficit of c£1m was being forecast for the 2020/21 financial year. The anticipated year end deficit is now forecast to have reduced significantly from the previous report to around £0.4m although it should be noted this is still based on a number of assumptions about future funding and income pressures and assumptions regarding further government support which are discussed in more detail within the body of the report.

This second report provides a further update and follows the government announcement made on 2 July in respect of additional support towards lost income. It contains high level proposals for revising the 2020/21 budget to ensure that budget monitoring for the remainder of the year is meaningful, whilst also considering the impact on the Council's medium term financial position.

The coronavirus COVID-19 pandemic continues to represent a significant challenge for the District Council which will continue to impact on the Council's resources and budget during 2020-21 and future years.

Options considered: This report sets out the current high level forecasts relating to the COVID-19 pandemic taking account of the latest central government support package. There are a number of options considered based on the recommendations made within the previous report in respect of capital resources, budget re-prioritisation, savings and reserves.

Conclusions: The country continues to face an unprecedented public health crisis which will have impacts on the Council's expenditure and income during the current financial year and future budgets It will continue to be important to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for the District so that we can continue to deliver vital services to residents, businesses and visitors and this includes the current year and beyond.

The current pandemic demands very different ways of working and will require ongoing review and consideration of current and future priorities as well as different and innovative service delivery models. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely challenging for the foreseeable future, none of which is helped by the ongoing delays to the various

	local government funding reviews. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have been significantly undermined by the current crisis. The current projected budget position (c£0.4m deficit 2020/21) is constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months. The report contains high level proposals for revising the 2020/21 budget to ensure that budget monitoring for the remainder of the year is meaningful.
Recommendations:	**It is recommended that Cabinet note and agree:** **1. The current package of financial support being provided to the Council by the government to support its response to COVID-19 and the continued importance of central government lobbying for further additional financial support;** **2. The updated forecast cost and income pressures being faced by the Council and the extent to which they exceed the available government funding and therefore the requirement for any deficit to be funded from alternative Council resources;** **3. The proposals for revising the budget at the current time (and the one-off costs to be funded from reserves) to ensure that budget monitoring for the remainder of the year is meaningful, including funding any year end deficit from the Property Reserve (£0.4m);** **4. The various caveats and risks associated with the current forecasts and;** **5. The proposals in respect of updating the Medium Term Financial Strategy (MTFS) and the financial planning framework for the 2021/22 budget.**
Reasons for Recommendations:	To update Members in respect of the impact of COVID-19 on the Council's budget and resource position for 2020/21 and indeed future years.

Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All

Contact Officer, telephone number and email: Duncan Ellis (Head of Finance & Assets), ext 6330, Duncan.ellis@north-norfolk.gov.uk

Executive Summary

This report follows the previous COVID-19 financial briefing provided in May, at which time a **budget deficit of c£1m was being forecast** for the 2020/21 financial year. Three tranches of central government funding have now been received totalling c£1.3m with a further announcement made on 2 July in respect of additional government support towards lost income (**currently estimated at £1.1m**). The current pandemic demands different ways of working and requires ongoing review and consideration of priorities. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains challenging for the foreseeable future. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and 2020/21 budget are based have now been significantly undermined by the current crisis although the additional funding support has helped mitigate some of the impact. This update considers the following elements of the 2020/21 budget and MTFS and the challenges and pressures facing each of these (see **Appendix A**);

Costs - service cost pressures from increasing demand such as housing benefit, homelessness and business support. Additional contract costs for areas such as leisure and exceptional costs from things such as Community Hubs, resident communications and staff overtime costs/sickness/re-deployment adjusted for one-off payments unrelated to COVID. **INCREASING COST PRESSURES £0.837m**

Income – significant reductions being seen from fees and charges (parking, planning and building control fees, commercial waste, licensing etc). Reduction in recycling credits/profit share arrangements, rent holidays/waivers being requested. **INCREASING INCOME PRESSURES £1.560m**

Savings – there are no immediate concerns regarding budgeted savings plans or non-delivery in the current financial year. The key challenge however relates to future years which will potentially be impacted as many savings initiatives require a number of years to deliver the expected outcomes so any reduced capacity to consider savings plans now may have a medium term impact. **PRESSURE ON FUTURE YEAR SAVINGS**

Investments – loss of investment income from cash balances due to changes in markets and prioritisation of short-term holdings to maximise liquidity. **REDUCING INVESTMENT RETURNS £0.361m**

Funding streams - a fall in the council tax and business rates collection rate could have a significant impact in terms of both funding and cash flow risk although this is now expected to impact in future years as opposed to 2020/21 following recent announcements regarding the ability to cover Collection Fund deficits over 3 years instead of the usual 1. **PRESSURE ON FUNDING STREAMS**

Reserves – reserves are now forecast to **reduce by £8.4m from £18.7m down to £10.3m over the next 4 years which is a reduction of 45%**. Of the remaining balances many are contingency amounts/grants ie General Fund, benefits and business rates reserves which further reduce the availability of reserves to support the budget. **REDUCING RESERVE BALANCES/OPPORTUNITY**

Capital programme - Cabinet have reviewed the capital programme and are satisfied that no further changes are required at the present time although the position will continue to be monitored to ensure that schemes continued to be aligned with current aspirations and demonstrate value for money. Following the 2019/20 outturn position the updated programme is **c£36m** of which approximately 30% comes from external grant sources. **OPPORTUNITY COST**

At the current time the combined impact of the above cost/income pressures results in a **high level**

budget deficit for 2020/21 of c£3.0m. The anticipated government funding of £2.4m will help to address this and, coupled with the one-off reserve funding of £0.284m, reduces it to around c£0.4m which the Council will need to address by looking to make further savings and reallocate resources within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term. Should the Council not be able to make these adjustments in year then reserves will be required to balance the budget and it is recommended that this is taken from the **Property Company reserve**.

The current position (c£0.4m deficit 2020/21) is constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.

1. Introduction

1.1. This report follows the previous COVID-19 financial update (here) provided to Members in May, at which time a budget deficit of c£1m was being forecast for the 2020/21 financial year and follows the announcement made on 2 July in respect of additional government support towards lost income. The content of the report is based on circumstances that continue to change and evolve at a rapid rate and should be considered in the light of the MTFS 2020/21 to 2023/24 (here), the 2020/21 budget report (here) and previous COVID report.

1.2. Three tranches of central government funding have been received to date totalling c£1.3m. A further announcement was made on 2 July in respect of additional government support towards lost income in respect of fees and charges and is based on the Council covering the first 5% of any loss with the government then topping up 75% of the balance which means the Council has to cover just under £0.3m from every £1m lost. Based on our current full year forecast for lost fees and charges of £1.56m **our provisional allocation would be £1.1m but this is subject to confirmation at the present time and therefore represents a significant risk in terms of the projections.**

1.3. Additionally, the government has confirmed they will allow the spread of any business rates/council tax deficits over 3 years rather than the usual 1 as Councils are seeing reduced revenue from these sources, and these deficits would ordinarily need to be paid for in the 2021/22 financial year. This will help with budgeting and cash flow, making payments more manageable and reducing the impact of deficits on the budget in any one year. It is therefore recommended that the authority and wider sector continue to lobby for support in respect of these funding sources as well.

1.4. The currently identified pressures in terms of additional expenditure but, more significantly for us, pressure on income budgets, currently exceed the grant funding available. It is currently forecast that the Council will incur cost and income pressures of around **£3.0m** by the end of the current financial year as set out in Table 1 below. The package of central government support estimated in total at c£2.4m will reduce this forecast deficit down to just over **£0.6m and there are two isolated costs to be funded from reserves which are unrelated to COVID which will further reduce the anticipated deficit to around £0.4m**. There is a however a high degree of uncertainty about these forecasts and they will continue to be refined as the situation develops and national and local responses are delivered.

1.5. It has also been announced recently that we have been successful in drawing down £330k from the new Norfolk Strategic Fund and the Tourism Sector Support Programme. This funding is very much welcomed but is designed to support additional elements of response to the crisis and is therefore expected at this stage to be matched by additional expenditure so will enable us to deliver a better response but won't support the budget deficit.

2. Corporate Plan and the Medium Term Financial Strategy (MTFS)

2.1. The budget and MTFS are fundamentally linked to the Corporate Plan (here) and the Delivery Plan (here), and supports the delivery of the vision and aspirations contained within the Corporate Plan. An initial review of the Delivery Plan has been undertaken by Cabinet and SLT to identify and confirm priorities given the current pressures. It will be important to continue to keep these and other key policy documents under review over the coming months as there may well be a new or renewed focus and priority given to certain aspects and new areas may well emerge and it will be essential to ensure that the Council's constrained resources are focussed towards these key priority areas.

2.2. The impact of this outbreak in Norfolk is having far-reaching consequences, and has already required a rapid and radical adjustment in both organisational priorities and ways of working. Although there are profound short-term impacts being experienced from the response to COVID-19, it remains to be seen precisely what the medium and longer-term impact will be, and as such the full implications for the Council's Budget in 2020-21 and beyond remain to be confirmed.

2.3. However, the pandemic will unquestionably change the long term shape of some of our services, in relation to joint working, public expectation, demand and digital access. In addition, it is highly likely that key income sources including council tax (through both the Collection Fund and tax base growth) and business rates will be under pressure in 2021-22, requiring a revision to budget planning assumptions for future years. It is therefore essential that the Council continues to lobby for increased financial support to help with ongoing budget pressures and further clarity regarding future year funding provision.

2.4. A number of services are seeing a significant impact from the pandemic, affecting service delivery, demand and ways of working across all parts of the Council. It is unclear how services and demand will need to operate beyond the immediate emergency period, particularly for vulnerable groups and businesses who may be affected for longer.

2.5. The Council continues to evaluate how the likely 2021-22 gap will be funded, without an increased level of Government assistance, there are likely to be significant savings to be found to deliver a balanced Budget in 2021-22 for which we were already forecasting a deficit of some £1.8m as at February 2020. A recent announcement from central government indicated that the Fair Funding review will be slipped for a further year and that central funding will remain in place at current levels. The future years' forecasts below have been updated to reflect this.

2.6. On 21 July it was announced that consultation on the Spending Review will be open until the 24 September and officers are currently woring on a draft response to this along with the next round of consultation in relation to the Business Rates review which has consultation deadlines of 18 September in respect of reliefs and 31 October in regarding all other aspects.

3. Budget 2020/21 - Period 3 (June) budget monitoring

3.1. The Council's 2020-21 Budget was agreed by Full Council in February 2020, but the developing COVID-19 pandemic requires us to fundamentally question a number of the assumptions upon which the budget is now based. When approved the 2020/21 budget was forecasting a surplus of £2.4m, largely due to one-off provision adjustments through the Collection Fund. However, the 2021/22 – 2023/24 projections were already forecasting deficits of £1.8m to £2.2m prior to the added pressures that the pandemic is going to place on the Council's resources.

3.2. The period 3 budget monitoring has been completed which includes consideration of all income and expenditure up to the end of June 2020. Unsurprisingly this first 3 months of the new financial year has seen significant increases in expenditure in a number of areas coupled with sharp reductions in income.

3.3. **Appendix A** shows an updated General Fund position and highlights the year to date variances against the 2020/21 profiled budget, any assumed full year effect (for example where income has been lost that will not now be recovered) and then a forecast outturn position given what we know at the current time.

3.4. The Net Cost of Service level within the General Fund summary is analysed **across subjective headings** ie employee costs, premises costs, supplies and services etc to make it easier to highlight where the key pressures are coming from rather than this being split across various service headings.

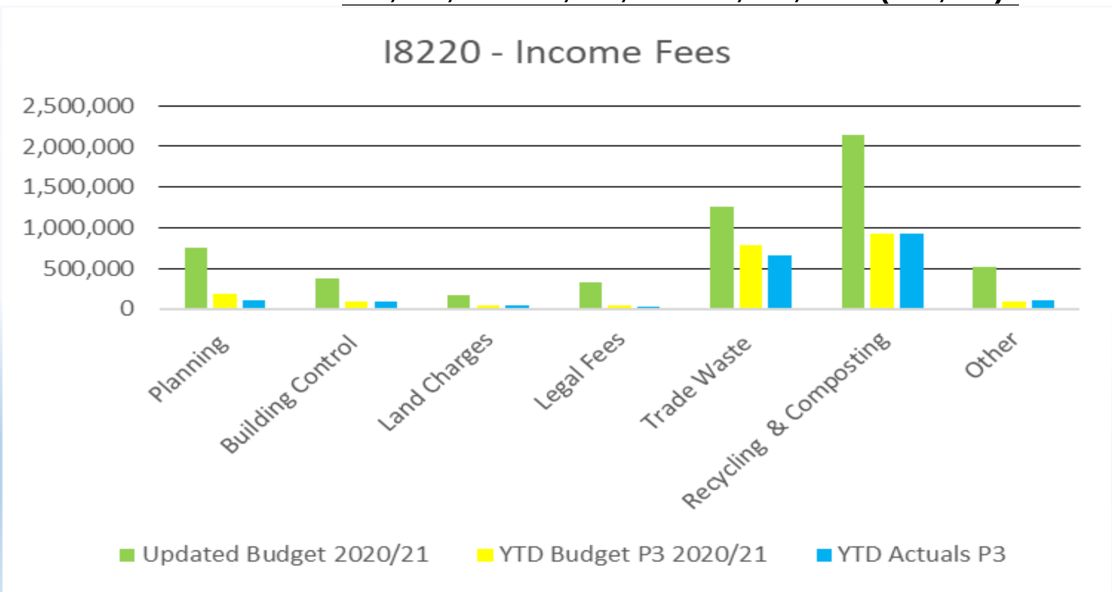
3.5. At the Net Cost of Service level, the year to date overspend against the profiled budget is c£1.2m. At present there are some savings showing against employee related costs, transport and training costs and some premises related costs as a result of facilities being temporarily closed.

3.6. However, there are significant increases in areas such as supplies and services, with temporary accommodation costs already exceeding budget forecasts by £46k as at the end of June and the outturn position for this area of spend was £227k for 2019/20. ICT costs have also increased during the opening months of the year to support additional hardware and software requirements to support new ways of working and increase network capacity and resilience.

3.7. The single biggest challenge is however around the income reductions which total nearly £1.0m to date and the tables blow highlight the variances in terms of the current position compared with the budget. The main fee variances can be seen within the table below and highlighted further in the chart. Some of the key variances to date include shortfalls against planning income (£89k) and trade waste (£123k).

Income - Fees

	Updated Budget 2020/21	YTD Budget P3 2020/21	YTD Actuals P3	YTD Variance
Planning	751,500	187,875	97,961	(89,914)
Building Control	380,000	94,998	85,809	(9,189)
Land Charges	162,190	40,548	42,768	2,220
Legal Fees	329,896	38,772	29,876	(8,896)
Trade Waste	1,255,000	785,000	662,127	(122,873)
Recycling & Composting	2,144,861	930,000	931,255	1,255
Other	508,278	86,996	103,762	16,766
	5,531,725	**2,164,189**	**1,953,558**	**(210,631)**

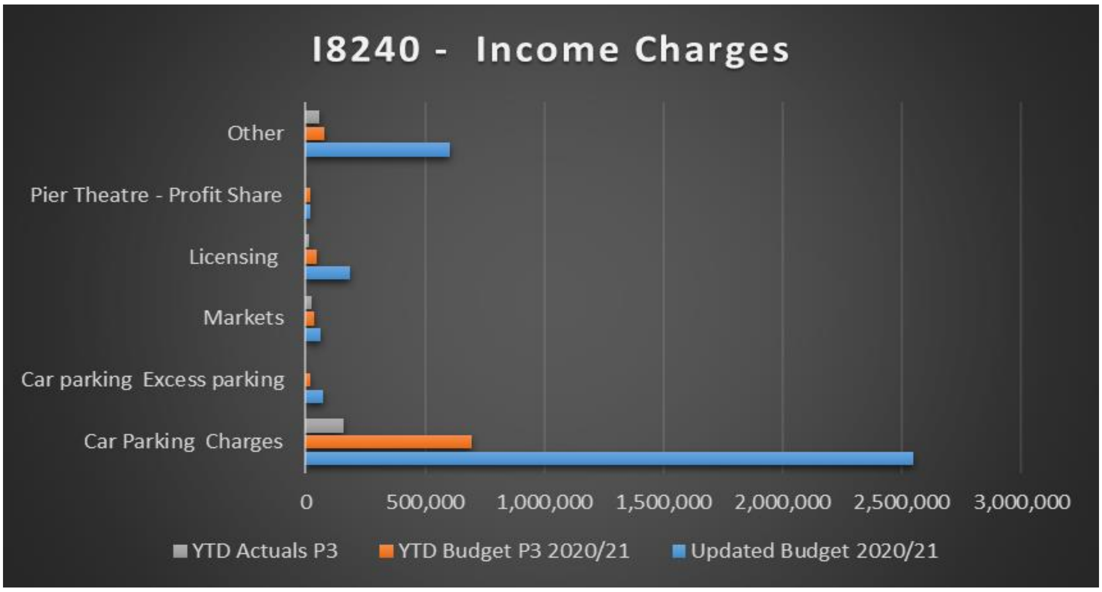


3.8. In relation to income from charges again the main variances can be seen within the table below and highlighted further in the chart. The key variance to date relates to parking income (£557k).

Income - Charges

	Updated Budget 2020/21	YTD Budget P3 2020/21	YTD Actuals P3	YTD Variance
Car Parking Charges	2,544,900	695,852	156,894	(538,958)
Car parking Excess parking	70,490	17,622	(28)	(17,650)
Markets	63,654	36,474	24,105	(12,369)
Licensing	187,000	46,749	12,516	(34,233)
Pier Theatre - Profit Share	20,000	20,000	0	(20,000)
Other	605,610	76,734	54,433	(22,301)

3,491,654	**893,431**	**247,920**	**(645,511)**



3.9. In terms of treasury investments, while the year to date position shows a reduction of c£103k in income receivable compared with the budget this is offset by savings of c£88k in respect of borrowing that the Council has avoided to date. This is due to some major schemes stalling during the initial lockdown period (such as Splash) and also due to the upfront payment from central government of £65m to finance the various grant support schemes announced which have supported the Council's cash flow.

3.10. To date the Council has received three tranches of un-ringfenced grant funding from central government totalling c£1.3m and once this is taken in to account the bottom line impact on the General Fund summary in terms of year to date budget projections of £62k underspent. Had this funding not been received this overspend would have been in excess of £1.2m.

4. Budget 2020/21 - Updated forecasts and full year effects

4.1. The following provides a high level year end forecast covering some of the current cost and income pressures facing the Council in terms of the 2020/21 budget and has been informed by the period 3 (June) budget monitoring process. More details can be found within the General Fund summary at **Appendix A** under the 'full year effect' column.

4.2. As can be seen from the summary the updated budget is showing a **forecast deficit of c£359k** by the end of the year. This current forecasts does however assume that we receive a further **c£1.1m** from central government based on our current full year forecast for lost fees and charges of £1.56m. **This is however still subject to confirmation at the present time and therefore represents a significant risk in terms of the projections.**

4.3. If further savings and efficiencies cannot be achieved by the year end it is recommended that this deficit is funded from the **Property Company** reserve.

General Fund – net cost of services

4.4. ***Costs*** - service cost pressures from increasing demand such as housing benefit, homelessness and business support. Additional contract costs for areas such as leisure and exceptional costs from things such as Community Hubs, resident communications and staff overtime costs/sickness/re-deployment.

4.5. There are however 2 elements of this deficit which are unrelated to COVID and would have been incurred regardless These relate to the final one-off payment of £145k to the contractor in relation to the Cromer hub capital scheme which is no longer progressing and payment to the Local Enterprise Partnership (LEP) of £139k which relates to business rate retention payments connected to the Scottow enterprise zone. The combined impact of these is c£284k, the proposal is therefore to fund these from the Property Company Reserve and Business Rates Reserve respectively. This will have the effect of reducing the forecast expenditure pressure down from £1.12m to £0.837m **INCREASING COST PRESSURES £0.837m**

4.6. ***Income*** – significant reductions being seen from fees and charges (parking, planning and building control fees, commercial waste, licensing etc). Reduction in recycling credits/profit share arrangements, rent holidays/waivers being requested.

4.7. Of the £9.4m gross income forecast for 2020/21, the most significant areas include waste and recycling (£3.4m) which includes things such as garden bins and commercial waste collection, car parking income (£2.7m) and planning income (£0.8m). The chart below shows the budget projections compared to the actuals for the first three months of the year. **INCREASING INCOME PRESSURES £1.560m (see income chart below)**

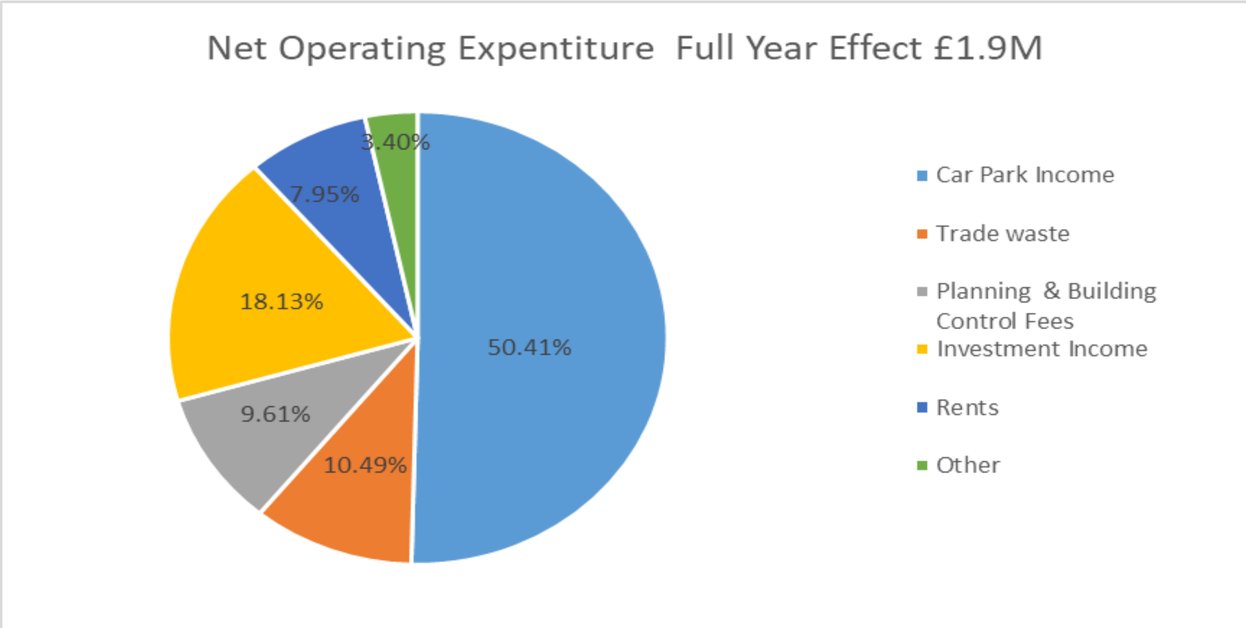
4.8. ***Savings*** – there are no immediate concerns regarding budgeted savings plans or non-delivery in the current financial year although there is still a significant budget shortfall of over £0.8m to try and address without falling back on reserves. The key challenge however relates to the medium term position which will potentially be impacted as the focus has been diverted from the consideration and delivery of savings to managing the immediate COVID-19 crisis as many savings initiatives take place over the medium term, so steps not taken today will have a medium term impact on future budgets.

4.9. This will need to be considered in more detail when the MTFS is updated later in the year and as part of the 2021/22 budget setting process. **PRESSURE ON FUTURE YEAR SAVINGS**

General Fund – investments and borrowing

4.10. Loss of investment income is forecast due to changes in market conditions and the impact on the Council's investment portfolio. Whilst the Council is experiencing reduced levels of income the potentially negative impact this would have on cash flow has been mitigated due to the government grant payments made to date which includes the £65m provided to support the payment of the Small Business Grant and Discretionary Grant Schemes. **REDUCING INVESTMENT RETURNS AND INCREASED BORROWING £0.361m**

4.11. The chart below shows the reductions in Income over the various areas.

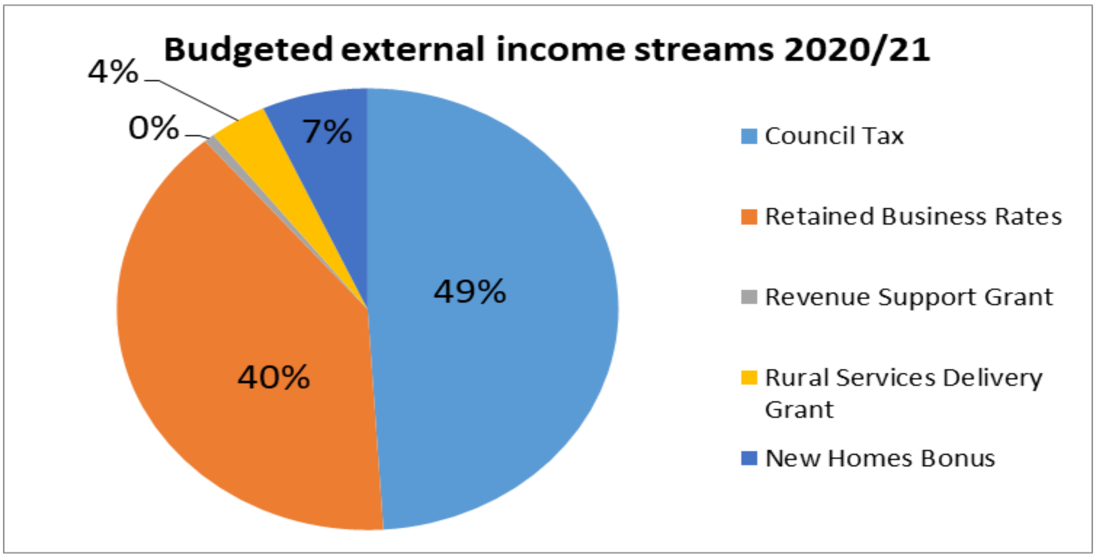


General Fund – funding streams

4.12. A fall in the council tax collection rate could have a significant impact in terms of both funding and cash flow risk although as mentioned above the cash flow risk at the present time has been somewhat lessened following the receipt of the business grant scheme. There's a risk of businesses defaulting on their business rates, with the expectation of higher levels of default/businesses that simply stop trading. The government has recently announced that any Collection Fund deficits experienced can now be adjusted for over a 3-year period rather than one so any resultant impact will be felt in future years and is taken account of within the future year projections below.

4.13. Previous growth assumptions in relation to both of these funding streams are also in doubt. The New Homes Bonus (NHB) may continue for a further year but with reduced building the income derived from this could be significantly reduced.

4.14. The chart below shows the relevant proportions of the various funding streams and highlights the significance of council tax and business rates in terms of the Council's overall funding. Business rates represents the highest value (£7.5m), followed by Council Tax (£6.3m), with the New Homes Bonus, Rural Services Delivery Grant and Revenue Support Grants totalling £1.4m. **PRESSURE ON FUNDING STREAMS – FUTURE YEAR IMPACT**



Reserves

4.15. There are three main reasons for holding reserves:

a) as a contingency to cushion the impact of unexpected events or emergencies;
b) to cushion against the impact of uneven cash flows and to avoid temporary borrowing; and
c) as a means of building up funds to meet known or predicted liabilities (earmarked reserves).

4.16. Based on current spending and funding projections reserves are forecast to **reduce over the next 4 years by £8.4m from £18.7m as at 01/04/20 down to around £10.3m by 01/04/24 which is a reduction of 45%.**

4.17. Of the remaining balances a significant majority are 'contingency amounts', ie the General Fund reserve which would stand at £2.0m (current minimum level recommended at £1.9m), benefits (£0.6m) and business rates reserves (£1.9m), whilst others represent ring-fenced grant allocations for which the use is restricted. If these are removed the funding available for supporting the budget over the coming years from reserves is further reduced.

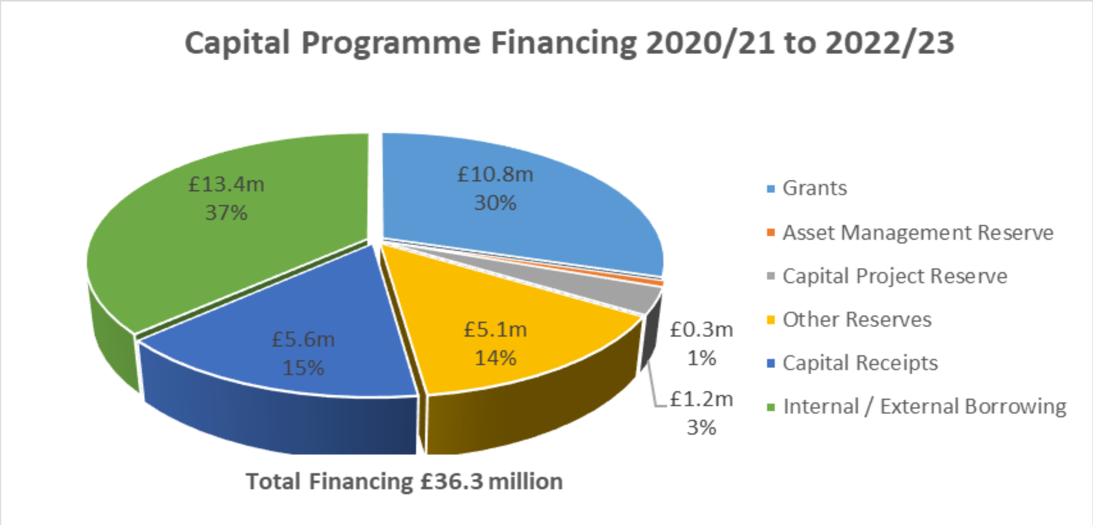
4.18. Depending on future government support announcements for current and future years and the Council's ability to deliver efficiencies and additional income this may mean that there are some difficult decisions to be taken over the short to medium term regarding prioritisation for funding services and service improvement.

4.19. There are additional reserves that could be called on to support any future budget deficits, such as the £2.4m currently earmarked for the Delivery Plan or the £2m set aside for the property company but these should be considered a worst case fall-back position and would ultimately impact on future delivery. The Council took part in the Norfolk-wide business rates pilot during the 2019/20 financial year and, whilst the final figures from this are not yet currently available, any potential gain has not yet been included within the reserves position and would help to support the position. **REDUCING RESERVE BALANCES/OPPORTUNITY**

Capital programme

4.20. Postponed income from asset sales creates cash flow issues and has an impact on the funding and delivery of the capital programme while Force Majeure clauses may impact on live projects. Following the 2019/20 outturn position the updated programme is **c£36m**. **OPPORTUNITY COST**

4.21. Following an initial review of the capital programme the Cabinet is satisfied that no further changes are required at the present time although the position will continue to be monitored to ensure that schemes continued to be aligned with current aspirations and demonstrate value for money. The chart below highlights the current assumptions regarding how the capital programme is financed with 30% of this funding coming from grant sources.



5. Forecast financial pressures – MTFS/2021/22 budget position

5.1. The budget for 2020/21 was approved in February 2020. At the same time financial projections for the following three years to 2023/24 were also reported.

5.2. The forward financial projections from 2021/22 onwards made assumptions around the future funding from government support and known commitments and changes to service expenditure.

5.3. The forward projections of expenditure and income will be updated to take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported to Members in the coming months as part of the Financial Strategy update to enable early preparation for the 2021/22 budget process.

5.4. The table below provides a summary of the reported funding gap for next year as at February 2020 updated for any known changes at the current time. Central government recently announced that central funding will again be provided (rolled forward) as the various ongoing reviews, such as the Fair Funding review, have slipped. The table has therefore been updated with this information and also assumes 2% inflation is added to each of these funding streams.

5.5. The NHB forecast has been assumed to remain at 2020/21 levels plus inflation as no replacement scheme has yet been developed, rather than the previously projected level of £586k. This does however represent an area of risk as this has not as yet been confirmed and is £324k different to the original. Both council tax and business rates have been assumed to reduce by 5% compared with original estimates due to slower growth in the tax base and additional pressure on businesses.

	2021/22 Original Projection	***2021/22 Updated Projection***		**Variance**
Amount to be met from Government Grant & Local Taxpayers	16,666,713	16,666,713	assumes no change	0
Collection Fund - Parishes	-2,523,481	-2,523,481	assumes no change	0
Collection Fund - District	-6,751,054	-6,413,501	assumes 5% reduction	337,553
Retained Business Rates	-4,958,845	-4,710,903	assumes 5% reduction	247,942
Revenue Support Grant	0	-91,595	20/21 + 2% inflation	-91,595
New Homes Bonus	-586,071	-910,038	20/21 + 2% inflation	-323,967
Rural Services Delivery Grant	0	-493,446	20/21 + 2% inflation	-493,446
Income from Government Grant and Taxpayers	- 14,819,451	- 15,142,964		-323,513
(Surplus)/Deficit	**1,847,262**	**1,523,749**		**-323,513**

5.6. The updated forecasts within the table above also **assume that there are no changes within the amount to be funded from grants and taxpayers which is a very big assumption at the present time**. More detailed work will need to be undertaken on these forecasts as part of developing the updated MTFS.

5.7. Our future year forecasts for both council tax and business rates are anticipating a 5% reduction and this reflects the position anticipated nationally and is broadly in line with assumptions made within Norfolk although it should be recognised that these potential impacts will affect the various districts in different ways you to their housing groth end economic positions.

5.8. Again this highlights the need for the Council and local government sector as a whole to continue to lobby for additional funding in future years to help support any reductions from these income streams and this is an issue that will be covered within our response to the Spending Review.

5.9. **The current position is constantly changing and therefore the high level**

projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.

6. Financial and resource implications

6.1. Financial implications are discussed throughout the report. The response to COVID-19 is likely to result in significant cost and income pressures in 2020/21, as well as impacting on the scope to and the capacity to develop new proposals savings proposals for the 2021-22 Budget onwards. The Government's response and decisions about Council funding in 2021/22 will be hugely significant. Government has an opportunity as part of the COVID-19 response to deliver a permanent step change in the recognition of the importance of adequate funding for local authorities to continue to provide a key contribution as part of the national recovery.

6.2. Government's initiatives to reform local authority funding (including the Fair Funding Review), as well as pressures linked to COVID-19 have the potential to materially impact on the Council's budget planning assumptions for 2020/21 and future years. The update of the MTFS later this year will provide a further update in relation to the current forecast position.

7. Legal implications

7.1. There are legal implications as a result of this report.

8. Communications issues

8.1. This report has been shared with the communications team and a web article and press release has already been made regarding the current budget pressures. The communications team will continue to be engaged as the financial picture becomes clearer over the coming months.

9. Risks

9.1. The figures set out within this report reflect the current updated estimates; these will be further refined as more information becomes available. The ultimate impact and financial cost of the response to the COVID-19 outbreak will be highly dependent on a wide range of factors including the length of time that the pandemic continues, the severity of the impact (both nationally and in the District), and the wider actions taken in response.

9.2. The continuing coronavirus situation may impact on the Council's budget setting process in a number of ways, most significantly:

- The Council's available resources and capacity to plan robust future year savings while responding to a rapidly changing operating environment;
- The availability of both Members and Officers and the ability to adhere to the proposed process and timetable;
- The need to provide for any immediate cost pressures emerging for the Council; and
- The medium to long term financial implications including the impact on the wider economy and business rates base and income

9.3. The table below provides a summary of the risks which were highlighted as part of the 2020/21 budget report. There are update comments in red highlighting any COVID-19 related issues as appropriate.

Risk	Likelihood	Impact	Risk Management
1. Future available resources less than assumed.	~~Possible~~ Likely	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2020/21 and beyond are based on best estimates at this time. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling. Previous assumptions significantly undermined as a result on the ongoing lockdown and future economic certainty. To be considered over the coming months as part of the update of the MTFS and the 2021/22 budget process.
2. Volatility of business rates funding given uncertainty around impact of appeals	Likely	High	Volatility of funding stream outside of council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. Positive initial outcome in respect of NHS case. Unknown impacts of proposed additional reliefs for 2020/21. Additional uncertainty highlighted as a result of potential default in payments and failure of businesses due to current economic climate.
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees. Where pay awards have been agreed these will be factored into the future estimates.
4. Future spending plans underestimated	~~Possible~~ Likely	~~Medium~~ High	Service planning process identifies future budget pressures and these will inform the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures. We have already identified significant additional service costs due to both increasing demand and the

			exceptional costs of the COVID-19 outbreak.
5. Anticipated savings/ efficiencies not achieved	Possible	High	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. Non-achievement of savings would require compensating reductions in planned spending within services. Greater scrutiny of savings has taken place since 2016/17 through the revenue monitoring process. History of delivery savings. There is little risk that the current 2020/21 savings will not be achieved. However the greater pressure is on future savings at a time when resources are re-deployed and focused elsewhere.
6. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning. The current capital programme remains affordable but will be kept under review to ensure that it continues to be aligned with emerging priorities and delivers value for money.
7. Income targets not achieved	~~Possible~~ Likely	~~Medium~~ High	Current economic climate likely to impact. Regular monitoring and reporting takes place. Full review of fees and charges scheduled for 2021/22 along with an annual review process. Levels of income from fees and charges are already seeing significant reductions with the current forecast reductions being around £1.9m.
8. Budget monitoring not effective	Unlikely	Medium	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Regular reports to Cabinet and to O&S. Track record of delivering budget and savings. This paper provides an update in respect of the current period 3 budget monitoring position.
9. Exit strategies for external funding leasing/tapering not	Possible	Medium	Regular monitoring and reporting. Government policy to remove ring fencing provides greater flexibility.

met			
10. Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which balance security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions. Principle of pooled investments has reduced but risk of losses mitigated through liquid cash reserves and medium term strategy of not disposing of investments during unfavourable market conditions.
11. Interest rates lower than expected	~~Unlikely~~ Likely	~~Low~~ Medium	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2020/21 are incorporated into the budget.
12. Collection rates for retained business rates and council tax lower than anticipated	~~Possible~~ Likely	High	Impact mitigated by the review of bad debt provisions and availability of reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process. In the current environment there is an increased risk of bad debts and delayed payments from both council tax and business rates which could significantly impact on cash flow (leading to increased borrowing costs), increased collection costs and reduced levels of income overall. Future year impact through Collection Fund adjustments.
13. Financial budget impacts of UK's vote to leave the European Union (Brexit)	Likely	Medium /High	Continue to work collaboratively with treasury advisors and central government departments to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process.
14.Devolution/Unitary status –	Possible	Medium	As the devolution deal has been rejected locally no further work is ongoing in respect of this and no changes have been factored in to the budget or future year projections as a result. The Unitary issue will undoubtedly be discussed further again in the future following the recent General

			Election. Officers and Members will keep a watching brief in respect of this but again at present no budgetary impact is being assumed. White Paper on Devolution recently announced.
15. All MTFS/budget risks not adequately identified	~~Unlikely~~ Likely	~~Low~~ High	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process. An ongoing world-wide pandemic was not one of the scenarios considered as part of the MTFS/budget process although the actual impacts are generally covered individually above.

10. Conclusions and Recommendations

10.1. The country continues to face an unprecedented public health crisis which will have impacts on the Council's expenditure and income during the current financial year and future budgets.. It will continue to be important to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for the District so that we can continue to deliver vital services to residents, businesses and visitors and this includes the current year and beyond.

10.2. The current pandemic demands very different ways of working and will require ongoing review and consideration of current and future priorities as well as different and innovative service delivery models. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely challenging for the foreseeable future, none of which is helped by the ongoing delays to the various local government funding reviews. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have been significantly undermined by the current crisis.

10.3. The report provides details of the central government funding received to date, which will need to be kept under review as the response to COVID-19 continues to evolve. In particular, in respect of the impact of COVID-19 on underlying local authority costs and income sources, and further funding announcements and responsibilities from Government. In addition, it helps to set the context for the Council's MTFS and budget planning process for 2021/22, which will be reported to Cabinet later in the year.

10.4. At the current time the combined impact of the above cost/income pressures results in a **high level budget deficit for 2020/21 of c£3.0m. The funding provided of £2.4m will help to address this and reduce it to just over c£0.6m and the use of earmarked reserves for one-off costs unrelated to COVID reduce the deficit further to c£0.4m, which the Council will need to address by looking to make further savings and reallocate resources** within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term. Should the Council not be able to make these adjustments in year then reserves will be required to balance the budget and it is recommended that this is taken from the **Property Company reserve**.

10.5. The anticipated year end deficit is now forecast to have reduced significantly from the previous report to around £0.4m. **The current position is however constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months and are based on the assumptions made on future income and expenditure levels along with further government support.**

It is recommended that Cabinet note and agree:

- **The current package of financial support being provided to the Council by the government to support its response to COVID-19 and the continued importance of central government lobbying for further additional financial support;**
- **The updated forecast cost and income pressures being faced by the Council and the extent to which they exceed the available government funding and therefore the requirement for any deficit to be funded from alternative Council resources;**
- **The proposals for revising the budget at the current time (and the one-off costs to be funded from reserves) to ensure that budget monitoring for the remainder of the year is meaningful, including funding any year end deficit from the Property Reserve;**
- **The various caveats and risks associated with the current forecasts and;**
- **The proposals in respect of updating the Medium Term Financial Strategy (MTFS) and the financial planning framework for the 2021/22 budget.**

11. Sustainability

11.1 There are no sustainability implications as a result of this paper.

12. Equality and Diversity

12.1 There are no equality and diversity implications as a result of this paper.

13. Section 17 Crime and Disorder considerations

13.1 There are no Section 17 crime and disorder implications as a result of this paper.

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General Fund Summary 2020/21 Base Budget

Subjective analysis	2020/21 Current Budget £	2020/21 YTD Budget £	2020/21 YTD Actuals £	2020/21 YTD Variance £	2020/21 Full Year Effect £	2020/21 Updated Budget for Approval £
Employee Related	12,594,054	3,215,737	3,151,560	(64,177)	72,699	12,666,753
Premises Related	3,075,697	1,330,922	1,314,993	(15,929)	0	3,075,697
Transport related	304,322	85,887	53,330	(32,557)	0	304,322
Supplies and Services related	74,872,500	54,124,549	54,466,327	341,778	1,048,286	75,920,786
Transfer Payments	22,208,430	18,060	18,060	(0)	0	22,208,430
Support Service Charges in	10,527,560	2,632,266	2,632,266	0	0	10,527,560
Support Service charges out	(10,832,594)	(2,694,163)	(2,689,545)	4,618	0	(10,832,594)
Capital	2,661,871	454,803	454,803	0	0	2,661,871
Income	(98,031,216)	(69,183,793)	(68,205,289)	978,504	1,560,390	(96,470,826)
Net Cost of Services	**17,380,624**	**(10,015,732)**	**(8,803,495)**	**1,212,237**	**2,681,375**	**20,061,999**
Parish Precepts (Estimate from 2020/21 onwards)	2,520,143	1,260,071	1,258,319	(1,752)	0	2,520,143
Capital Charges	(1,819,204)	(454,800)	(454,803)	(3)	0	(1,819,204)
Refcus	(842,667)	0	0	0	0	(842,667)
Interest Receivable	(1,310,977)	(327,743)	(225,076)	102,667	345,600	(965,377)
External Interest Paid	358,100	89,524	1,447	(88,077)	15,000	373,100
Revenue Financing for Capital:	4,892,728	0	0	0	0	4,892,728
IAS 19 Pension Adjustment	260,290	0	0	0	0	260,290
Net Operating Expenditure	**21,439,037**	**(9,448,680)**	**(8,223,608)**	**1,225,072**	**3,041,975**	**24,481,012**
Contributions to/(from) Earmarked Reserves	**(3,642,798)**	**0**	**0**	**0**	**(284,000)**	**(3,926,798)**
Amount to be met from Government Grant and Local Taxpayers	**17,796,239**	**(9,448,680)**	**(8,223,608)**	**1,225,072**	**2,757,975**	**20,554,214**
Collection Fund – Parishes	(2,520,143)	(630,036)	(630,036)	0	0	(2,520,143)
Collection Fund – District	(6,305,671)	(1,576,416)	(1,576,416)	0	0	(6,305,671)
Retained Business Rates	(7,504,661)	(1,876,164)	(1,876,164)	0	0	(7,504,661)
Revenue Support Grant	(89,799)	(22,449)	(22,449)	0	0	(89,799)
New Homes bonus	(892,194)	(223,048)	(223,048)	0	0	(892,194)
Rural Services Delivery Grant	(483,771)	(241,886)	(241,886)	0	0	(483,771)
Covid Funding	0	0	(1,287,178)	(1,287,178)	(1,287,178)	(1,287,178)
Covid Additional Support for loss of income from fees & charges	0	0	0	0	(1,111,778)	(1,111,778)
Income from Government Grant and Taxpayers	**(17,796,239)**	**(4,569,999)**	**(5,857,177)**	**(1,287,178)**	**(2,398,956)**	**(20,195,195)**
(Surplus)/Deficit	**0**	**(14,018,679)**	**(14,080,785)**	**(62,106)**	**359,019**	**359,019**

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Treasury Management Annual Report 2019/20

1. Introduction

1.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

1.2 The Authority's treasury management strategy for 2019/20 was approved at a meeting on 27th February 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

1.3 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.4 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 27th February 2019.

2. External Context

2.1 Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

2.2 The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

2.3 GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

2.4 Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets. In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

2.5 The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

2.6 Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

2.7 Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

2.8 While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March. Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-.

3. Local Context

3.1 On 31st March 2020, the Authority had net investments of £33.265m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.2 The treasury management position at 31st March 2020 and the change during the year is shown in Table 1 below.

Table 1: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	31.3.20 Balance £m	31.3.20 Rate %
Long-term borrowing	0.000	0.000	0.000	0
Short-term borrowing	3.000	2.000	5.000	0.96
Total borrowing	**3.000**	**2.000**	**5.000**	
Long-term investments	34.250	(2.250)	32.000	3.37
Short-term investments	4.200	2.065	6.265	0.71
Total investments	**38.450**	**(0.185)**	**38.265**	
Net investments	**35.450**	**(2.185)**	**33.265**	

4. Borrowing Update

4.1 On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

4.2 The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields, available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

4.3 The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

4.4 The consultation closes on 31st July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22. Officers will be responding to this consultation.

5. Borrowing strategy

5.1 At 31st March 2020 the Authority held £5m of loans, (an increase of £2m from 31st March 2019, as part of its strategy for funding current years' capital programmes and cash flow. Outstanding loans on 31st March are summarised in Table 2 below.

Table 2: Borrowing Position

	31.3.19 Balance £m	Net Movement £m	31.3.20 Balance £m	31.3.20 Weighted Average Rate %	31.3.20 Weighted Average Maturity (years)
Local authorities (short-term)	3.00	2.00	5.00	0.96%	<1
Total borrowing	**3.00**	**2.00**	**5.00**		

5.2 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

5.3 With short-term interest rates remaining much lower than long-term rates, the Authority considered it more cost effective in the near term to borrow rolling temporary / short-term loans instead.

5.4 As this year has illustrated, PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e. the PWLB HRA borrowing rate. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

6. Treasury Investment Activity

6.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £46.005 and £32.540 million due to timing differences between income and expenditure. The investment position is shown in table 3 below.

Table 3: Treasury Investment Position

	31.3.19 Balance £m	Net Movement £m	31.3.20 Balance £m	31.3.20 Income Return %
Banks & building societies (unsecured)	0.000	0.000	0.000	0.00
Covered bonds (secured)	2.250	(2.250)	0.000	0.00
Government (incl. local authorities)	2.000	(2.000)	0.000	0.00
Money Market Funds	2.200	4.065	6.265	0.71
Other Pooled Funds:				
- *Cash plus funds*	3.000	0.000	3.000	1.16
- *Short-dated bond funds*	3.000	0.000	3.000	0.97
- *Strategic bond funds*	5.000	0.000	5.000	2.59
- *Equity income funds*	8.000	0.000	8.000	4.43
- *Property funds*	5.000	0.000	5.000	4.37
- *Multi asset income funds*	8.000	0.000	8.000	3.91
Total investments	**38.450**	**(0.185)**	**38.265**	**3.37**

6.2 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.3 Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has previously diversified into more secure and/or higher yielding asset classes, and this strategy was maintained during the financial year.

6.4 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 4 below.

Table 4: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return %
31.03.2019	3.00	AA	34%	0.92
31.03.2020	4.19	AA-	100%	0.71
Similar LAs	**3.95**	**AA-**	**59%**	**0.68**

*Weighted average maturity

6.5 £32m of the Authority's investments are held in externally managed strategic pooled bond, equity, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return -4.99%, comprising a 3.61% income return which is used to support services in year, and -7.60% of unrealised capital loss.

6.6 In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

6.7 The Authority is invested in bond, equity, multi-asset and property funds. The falls in the capital values of the underlying assets were reflected in the 31st March fund valuations with every fund registering negative capital returns over 12 months to March. Several March-end dividend details are awaited, but early calculations suggest that, despite decent income returns in 2019-20, these funds will post negative total return over the one-year period due to the capital component of total returns.

6.8 The unrealised capital losses (the ‘drawdown’ referred to by fund managers) in equity income funds were especially large, ranging from -19% to -33% and between -6% to -27% for short- and long-dated bond funds.

6.9 The Authority is using the alternative fair value through profit and loss (FVPL) accounting and must defer the funds’ fair value losses to the Pooled Investment Fund Adjustment Account until 2023/24.

6.10 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium and long-term and the Authority’s latest cash flow forecasts, investment in these funds has been maintained.

Non-Treasury Investments

6.11 The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government’s (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

6.12 The Authority also held £3.793m of such investments in

- directly owned property £0.831m

- loans to housing associations £2.962m

A full list of the Authority's non-treasury investments is below:

Grove Lane Depot, Holt, Norfolk – valued at £0.350m
Fair Meadow House, Itteringham, Norfolk – valued at £0.441m
Loan to Broadland Housing Association – outstanding value £2.962m

6.13 These investments generated £0.150m of investment income for the Authority after taking account of direct costs, representing a rate of return of 3.85%. This rate of return compares favourably to that generated by treasury investments. These investments represent a different risk to the Authority, as property investments do not carry the same interest rate or credit risk, but there is the risk of loss of income through voids and other market factors. They also require more staff time to manage than externalised pooled investments. The Authority does not currently rely on these funds from Non-Treasury investments to balance the budget, but in a climate of reduced Government funding, is likely to do so more in the future. To guard against the risk of reducing levels of income from these investments, they are proactively managed by experienced and qualified individuals within the Authority, with external advice as required.

7. Treasury Performance

7.1 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

Table 5: Performance

	Actual £m	**Budget £m**	**Over/ under**	**Actual %**	**Budget %**	**Over/ under**
Short term borrowing from other Local Authorities	**£0.038m**	**£0.010**	**Over**	**0.76**	**1.13**	**Under**
Total borrowing						
Term deposits (incl MMFs)	0.040	0.015	Over	0.71	1.09	Under
Pooled Funds	1.079	1.214	Under	3.37	3.57	Under
Total treasury investments	**1.120**	**1.228**	**Under**	**2.97**	**3.47**	**Under**

8. Compliance

8.1 The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	2019/20 Maximum	31.3.20 Actual	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied? Yes/No
Borrowing	£7.500m	£5.000m	£15.030m	£23.400m	Yes
PFI and Finance Leases	**£0.000m**	**£0.000m**	**£0.000m**	**£0.000m**	Yes
Total debt	**£7.500m**	**£5.000m**	**£15.030m**	**£23.400m**	Yes

8.2 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 7: Investment Limits

	2019/20 Maximum	31.3.20 Actual	2019/20 Limit	Complied? Yes/No
Any single organisation, except the UK Central and Local Government	Nil	Nil	£6m each	Yes
UK Central and Local Government	£2m	Nil	unlimited	Yes
Any group of organisations under the same ownership	Nil	Nil	£6m per group	Yes
Any group of pooled funds under the same management	£7m	£7m	£15m per manager	Yes
Negotiable instruments held in a broker's nominee account	Nil	Nil	£10m per broker	Yes
Limit per non-UK country	Nil	Nil	£6m per country	Yes
Registered providers and registered social landlords	£3.096m	£2.962m	£10m in total	Yes
Unsecured investments with building societies	Nil	Nil	£5m in total	Yes
Loans to unrated corporates	Nil	Nil	£5m in total	Yes
Money Market Funds	£11.425m	£6.265m	£16m in total	Yes
Real Estate Investment Trusts	Nil	Nil	£10m in total	Yes

9. Treasury Management Indicators

9.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.20 Actual	2019/20 Target	Complied?
Portfolio average credit score	4.19	6.0	Yes

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	31.3.20 Actual	2019/20 Target	Complied?
Total cash available within 3 months	£6.265m	£3m	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.3.20 Actual	2019/20 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£34,051	£600,000	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£34,051	£600,000	Yes

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.20 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	100%	100%	0%	Yes
12 months and within 24 months	0%	100%	0%	Yes
24 months and within 5 years	0%	100%	0%	Yes
5 years and within 10 years	0%	100%	0%	Yes
10 years and above	0%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	**2020/21**	**2021/22**
Actual principal invested beyond year end	£32m	£32m	£32m
Limit on principal invested beyond year end	£42m	£42m	£42m
Complied?	Yes	Yes	Yes

10. Other

10.1 IFRS 16: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

Debt Recovery 2019-20

Summary: This is an annual report detailing the council's collection performance and debt management arrangements for 2019/20
The report includes a:

- A summary of debts written off in each debt area showing the reasons for write-off and values.
- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

Recommendations:

1) To approve the annual report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.
2) To agree the Debt Write Off Policy (shown in Appendix 2)
3) To agree the use of High Court Enforcement Agents if considered necessary (shown in Appendix 3)

Cabinet member(s): Eric Seaward
All All
Contact Officer, telephone number, and e-mail: Sean Knight 01263 516347
Sean.Knight@north-norfolk.gov.uk

1. Introduction

1.1. The Corporate Debt Management annual report is one of the performance management measures to provide members with outturn figures for 2019/20 for the following:

- A summary of debts written off in each debt area showing the reasons for write off and values.
- Collection performance for Council Tax and Non - Domestic Rates (NNDR).
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

2. Background

2.1. Writing off bad debts is a necessary function of any organisation collecting money. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered for write off. The Council views such cases very much as exceptions and this report identify those debts.

3. Performance

3.1. Below are a summary of the Council's three main income streams and the level of debt associated with each, for the last four financial years.

Table 1

Income Area	Year/Date	Total Arrears at 31st March All Years (after write offs)* (£)	Current Years Arrears Included (after write – offs)** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Council Tax	2016/17	1,998,329*	844,646**	1.36%	733,817
	2017/18	2,289,564	942,469	1.43%	755,756
	2018/19	2,297,629*	997,954**	1.40%	778,470
	2019/20	2,599,769	1,192,173	1.60%	863,985

Income Area	Year/Date	Total Arrears at 31st March All Years (after write offs)* (£)	Current Years Arrears Included (after write – offs)** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
NNDR	2016/17	331,206	134,548	0.52%	189,593
	2017/18	387,822	129,877	0.51%	228,797
	2018/19	323,870	192,064	0.71%	195,124
	2019/20	1,655,968*	724,063**	2.60%	958,258

3.2. *This is the cumulative arrears (excludes costs) for all years including 2019/20.

3.3. ** This is the arrears figure as at 31/3/2020. Collection of the 2019/20 debt is ongoing and £157k council tax and £506k NNDR has been collected since 15 July 2020 against the previous 2019/20 year's arrears.

3.4. The table below shows the level of sundry debt outstanding at the year-end. For 2019/20, this will exclude the residue of Housing Benefit Overpayments, which is shown separately.

Table 2

Income Area	Year	Total Arrears at 31st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% outstanding against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income	2016/17	1,540,486	6,328,603	24.34%	710,210
	2017/18	1,710,721	6,918,600	24.72%	794,015
	2018/19	1,330,004	5,579,524	23.84%	762,096
	2019/20	TBC by Caz Williams.	TBC by Caz Williams.	TBC by Caz Williams.	TBC by Caz Williams.

3.5. The above figures previously included overpayments being recovered through weekly reclaim against ongoing Housing Benefit. The value of overpayments here are not treated as a corporate debt as they have not been invoiced. The value of these debts are recorded against the subsidy claim.

3.6 The table below shows the breakdown of 2019/20 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

Table 3

Income Area	Year	Total Arrears at 31st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% outstanding against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income Residual Housing Benefit Overpayments (in Finance)	2019/20	83,297	N/A	N/A	TBC by Caz Williams.
Housing Benefit Overpayments (put to invoice in the Benefits Service)	2019/20	**873,268	320,942	272%	654,537

3.7. ** Housing Benefit overpayment recovery was transferred to the Benefits Service in August 2019. In January 2020, following a review of resources in the team, two full-time Housing Benefit Overpayment Officers were moved across from Housing Benefit processing to provide a solid resource for Housing Benefit debt recovery. Training for the two officers was due to take place in March 2020, but due to the pandemic, this has been postponed. This has affected the level of overpayments recovered. Seventy two percent (72%) of the debt outstanding is serviced through attachments, debt enforcement, County Court Judgements and payment plans.

Table 4

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Council Tax	2016/17	61,902,431	54,172	1,143	1,998,329
	2017/18	65,861,821	54,530	1,208	2,289,564
	2018/19	71,201,165	54,938	1,296	2,297,629
	2019/20	74,697,433	55,169	1,354	2,599,769
NNDR	2016/7	26,115,380	6,865	3,804	331,206
	2017/18	25,544,969	7,174	3,561	387,822
	2018/19	27,210,079	7,334	3,710	323,870
	2019/20	27,870,878	7,652	?	1,655,968
Sundry Income	2016/17	6,328,732	5,833	1,085	1,540,486
	2017/18	6,918,600	5,433	1,273	1,710,721

	2018/19	5,579,524	6,093	1,870	1,329,966
	2019/20	TBC by Caz Williams	TBC by Caz Williams	TBC by Caz Williams	TBC by Caz Williams

3.8. The above figures for 2016/17 to 2018/19 previously included Housing Benefit Overpayments being recovered through weekly reclaim against the ongoing Housing Benefit. The value of overpayments here are not treated as a corporate debt as they have not been invoiced. The value of these debts are recorded against the subsidy claim.

3.9. The table below shows the breakdown of 2019/20 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

Table 5

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Sundry Income (residual Housing Benefit overpayments in finance).	2019/20	83,297	17	4,900	83,297
Housing Benefit overpayments put to invoice in the Benefits Service.	2019/20	873,268	647	1,350	873,268

Table 6

Income Area	2015/16	2016/17	2017/18	2018/19	2019/20	Target 2019/20
Council Tax	98.6%	98.7%	98.74%	98.72%	98.51%	98.4%
NNDR	99.3%	99.36%	99.40	99.15%	97.32%	99.1%

3.10. There have been a number of changes over the past few years that have affected council tax charges. From April 2013, support for council tax was localised. The Government reduced the level of funding that it had previously provided to cover the cost of the support (council tax benefit). All those of working age who had previously been on 100% benefit had to pay a minimum of 8.5%. In addition some people on benefits were also affected by other welfare reform changes – e.g. under occupation of properties in the social sector, the benefit cap and Universal Credit, putting additional pressure on incomes. In addition to the welfare, changes there were a number of technical changes to council tax. These included an increase in the charge for empty properties, a reduction in the second homes discounts and those properties undergoing structural repair and alteration. These changes affected the level of council tax to be collected and the ability of some residents to pay. The target for council tax collection continues to be challenging given the above.

3.11 There are no longer national indicators for the collection of Council Tax and Non-Domestic (Business) Rates. The performance indicator (PI) is retained as a local PI, and continues to be monitored monthly. An important part of debt management is to ensure that bills are sent out accurately and timely and that council tax and business ratepayers are aware of any appropriate discounts, exemptions, reliefs and benefit entitlement they may apply. Information is sent with the annual bills and is shown on our web site with service information being provided on these. The ongoing promotion of Direct Debit also forms an important part of debt management where 74% of council taxpayers are paying by direct debit and 30% of NNDR customers pay by direct debit.

3.12 The Government has made the Small Business Rate Relief (SBRR) scheme more generous from 1 April 2017. Small businesses with a Rateable Value below £12,001 are now entitled to receive 100% relief (increase funded by Government). Small businesses with a Rateable Value between £12,000 and £15,001 may now be entitled to receive a percentage reduction in their rates bill. There has been a number of new relief schemes to help small businesses with Non-Domestic Rates over the past few years.

3.13 The Government’s NDR Retail Discount Scheme was implemented from 2019/20 to award retail businesses with a third off their net rates bill.

3.14 The temporary NDR Growth position that we employed to identify growth and help to increase revenue to NNDC has been a real success. In 2019/20 one property that was identified and reported to the Valuation Office Agency alone because it had previously expanded its business without our knowledge had a backdated rates bill of over £1.1m. This revaluation was proactively chased by us and confirmed in March 2020 so NNDC and Norfolk County Council could gain more retention rather than 50% being passed to central government because it was actioned before 31 March 2020 as part of the Business Rates 2019/20 Pilot. NNDC received 55.5% (40%+12.5%) which equated to £577k and the Norfolk County Council’s share was 22.5% (10%+12.5%) which equated to £247k. This increased the NDR debit by £439k in March 2020 to be collected by 31 March 2020 and has also adversely affected our NDR collection figures for 2019/20.

3.15 Since March 2020 because of the pandemic and the effect of this on customers’ ability to pay, we took the unprecedented step to stop all council tax and Non-Domestic Rates recovery work. Customers have been given the opportunity to defer or delay their payments to us whilst they sort out their personal finances. This has impacted on the collection performance for 2019/20 as well as 2020/21.

4. Write-Offs

4.1. The table below shows in summary the amounts of debts that have been written off over the last four years.

Table 7

Income Area	2016/17 (£)	2017/18 (£)	2018/19 (£)	2019/20 (£)
Council Tax	123,931	116,965	141,522	165,133

NNDR	48,950	47,404	135,839	45,671
Sundry Income (includes residual Housing Benefit write-offs)	16,113	17,038	11,380	?
Housing Benefit	56,121	42,160	37,070	?

4.2. The table below details the category of debts that have been written off over the year 2019/20 (includes costs) for all years.

Table 8

Category	Council Tax(£)	NNDR(£)	Sundry Income(£)
Unable to collect Uneconomic/ bailiff unable to collect	-54	13	
Debtor deceased	3,801	1,380	
Debtor absconded	68,884	5,036	
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	66,327	37,041	
Debt cannot be proved (conflict of evidence)	454	2,076	
Ill health & no means	1,016	0	
Undue hardship	3,437	0	
Debt remitted by the Court	0	0	
Irrecoverable	18,549	125	
Detained/Prison	718	0	
Other	2,001	0	
Totals	165,133	45,671	

4.3 The level of Non-Domestic (Business) Rates debts written off has reduced since last year. The Council Tax and Non-Domestic (Business) Rates debts that have been written off are principally debts from insolvency and people absconding. Whilst every effort is made to trace debtors there is a number of debtors that cannot be traced and the debt has to be written off.

5. Implications and Risks

5.1. The information gained from this report will help improve monitoring and our ability to consider the risks in a more accurate way.

6. Financial Implications and Risks

6.1. The Council is already required to make provision for bad and doubtful debts. The additional information gained from this report will help improve monitoring and our ability to consider the appropriateness of the provisions in a more accurate way.

7. Sustainability

7.1 This report does not raise any issues relating to Sustainability.

8. Equality & Diversity

8.1 The Debt Management & Recovery Policy takes account of the impact that getting into debt can have on people and their families, so it also encourages people to pay, and aims to provide reasonable facilities and assistance for them to do so.

8.2. Before writing off debt, the Council will satisfy itself that all reasonable steps have been taken into account to collect it and that no further recovery action is possible or practicable. It will take into account the age, size and types of debt, together with any other factors that it feels are relevant to the individual case. All write-offs are dealt with in the same fair and consistent way in line with equality and diversity issues.

8.3 While you can be sent to prison for up to 3 months if the court decides you don’t have a good reason to not pay your Council Tax and you refuse to do so it is not our Council’s policy to take such action where there is an inability to pay and there is a range of support which the Council offers in order to avoid this.

9. **Section 17 Crime and Disorder considerations**

9.1 This report does not raise any issues relating to Crime and Disorder considerations.

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Appendix 1

CORPORATE DEBT MANAGEMENT AND RECOVERY POLICY

INTRODUCTION

Effective debt management is crucial to the success of any organisation. It is essential that this authority has clear policies and strategies to help prevent debt in the first instance and then manage the recovery of debt where prevention has failed. If the Council is to achieve its aim of first class resource management, then it must seek to recover all debts due and sustain collection rates. It also has a key role in the prevention of debt, and in providing advice and assistance to clients where there is genuine hardship.

This policy has therefore been designed to address these concerns. Its implementation aims to deliver measurable service improvement and adherence to recognised good practice. Members need to be confident that debt is being managed within the parameters set by this document.

The following policies have been prepared within this framework:

Debt Write -Off policy as shown in Appendix 2.

POLICY AIMS

The key aims of this policy are as follows:

- To identify debtors as early as possible, and consider fully the debtors circumstances and ability to pay, and so distinguish from the outset between the debtor who won't pay, and the debtor who genuinely can't pay.
- To work with the client to clear the debt as soon as possible. To ensure a professional, consistent and timely approach to recovery action across all of the Council's functions.
- To cost effectively pursue all debts owed to the Council, seeking to maintain and improve on the levels of income collected by the authority.
- To promote a co-ordinated approach towards sharing debtor information and managing multiple debts owed to the Council. To actively work alongside approved advice agencies to seek early identification of clients who are failing to meet multiple debt liabilities.
- To only write debt off once all avenues have been exhausted for the recovery of debt. This is in accordance with the Council's write-off policy.
- To treat individuals consistently and fairly regardless of age, sex, gender, disability, ethnicity, race or sexual orientation, and to ensure that individual's rights under General Data Protection Regulations (GDPR) and Human Rights legislation are protected.

SUPPORTING THE COUNCIL'S CORPORATE PRIORITIES

This Policy supports the Council's drive towards continuous improvement whilst recognising equality and diversity issues. It is reflective of the values and standards adopted by this Council within the Corporate Plan and contribute towards the following priorities:

First Class Resource Management – To manage the Council's resources efficiently and effectively and to make sensible choices in setting priority led service budgets which do not burden council tax payers with unnecessary or unjustifiable costs.

Better Access to Council Services – To improve customer service through all access channels, and to move towards a fully integrated front office with multi-agency enquiry-handling capacity.

The Policy also supports the wider aim of improving service provision through partnership working by seeking to maximise the benefits of external debt advisory agencies.

DEBTS COVERED BY THIS POLICY

The main section involved in debt recovery is Finance.

The debts involved are primarily:

- Council Tax
- National Non Domestic Rates
- Overpaid Housing Benefit
- Sundry Income

The policy will apply to all sections of the Council and focus on collecting the charge set rather than how the charge is arrived at. Ability to pay is a paramount concern when considering debt recovery. For Council Tax a discretionary scheme (Council Tax Support) is provided on application, which is designed to offset the effects of low income on ability to pay.

Charging policy, statutory or discretionary will never completely remove the problems of people and families on low incomes. The approach to recovery must therefore be sensitive to individual circumstances and take into account multiple debts owed to ensure that arrangements are manageable. The primary aim remains the recovery of debt and improved data sharing will support this aim.

THE LEGAL AND POLICY FRAMEWORK FOR RECOVERY

The Council has a legal duty to ensure cost-effective billing, collection and recovery of all sums due to the Council. This policy is in addition to existing legislation and will provide a framework for procedures to be developed and improved.

This debt recovery policy is concerned primarily with the recovery of debts prior to legal action being taken, but the principles should still be applied wherever appropriate even if litigation has commenced.

Local Taxation

Council Tax recovery procedures are laid down by statute in The Council Tax (Administration and Enforcement) Regulations 1992 and subsequent amendments.

National Non-Domestic Rates recovery procedures are laid down by statute in The Local Government Finance Act 1988 and subsequent regulations and amendments.

The Council appoints Enforcement Agents to recover local taxation arrears in accordance with an enforcement protocol. Changes to legislation came in from April 2014 under The Taking Control of Goods (Fees) Regulations 2014 nationally standardising fees and charges and an enforcement protocol for bailiffs. Since this date, bailiffs became known as Enforcement Agents. The changes to the legislation are to ensure that the rates and charges added by the Enforcement Agents are transparent and nationally set making it easier for debtors to understand the consequences of non-compliance and the powers available to Enforcement Agents. The Enforcement Agent Code of Practice & Enforcement Agent Instructions with the statutory fees recoverable is shown in Appendix 3.

Housing Benefits

Housing Benefit overpayments are reclaimed in accordance with Regulations 98-105 of The Housing Benefit (General) Regulations 1987 (as amended) And Sections 105 & 106 of the Welfare Reform Act 2012 and Social Security Overpayment and Recovery) Regulations 2013. The Benefit Overpayment Policy sets out the basis under which these debts are recovered and is shown in Appendix 4.

Miscellaneous Income

Sundry Debt arrears are collected within a well-established framework, but written guidelines are required. On certain debts, interest may be charged for late payment. The debtor will be made aware of any additional costs in advance so that they have the opportunity to avoid this wherever possible. Customers will also be made aware of legal fees and costs that will be incurred for non-payment.

THE POLICY

- Full names, contact address and a phone number will be established wherever possible prior to service provision or invoicing/billing.

- All Council bills and invoices will be raised as soon as practicable on a daily basis and will include clear, relevant and full information as to:
  – What the bill is for;
  – When payment is due;
  – How to pay;
  – How to contact us if there is a query in relation to the bill or in relation to making payment.

- All letters and reminders will:
  – Be written in plain English;
  – Explain fully what has been agreed and the consequences of non-payment;
  – Include appropriate contact details.

- Debtors will be encouraged to make prompt contact if they disagree with a bill or have difficulty in making payment on time. Contact can be made by:
  – Website
  – Email
  – Telephone
  – Letter
  – In person at the Council Offices.

- Problems and bill discrepancies raised will be resolved as quickly as possible to prevent unnecessary delays in payment and incorrect debits.

- All debtors seeking help due to financial difficulties will:
  - Be given the opportunity to have their ability to pay assessed by the relevant collection unit;
  - Be invited to provide details of their means by listing their income and expenditure. (Evidence to confirm the accuracy of the means statement will be requested if necessary);
  - Be invited to use the money and debt advice services available from the Citizens Advice Bureau (CAB);
  - Be asked if they have other debts owing to the Council that they also wish to be considered;
  - Be given access to the Council's interpreter service if required.

- If legal proceedings have already commenced, consideration will be given to whether the debt can firstly be attached to earnings or benefits, the priority of the debts owed and the level of repayments currently being made.

- If a specific recovery action has already commenced e.g. attachment of earnings or the debt has been passed to an Enforcement Agency, the action taken will usually continue. However, any arrears not included in the action will be considered in line with existing arrangements and this policy.

- If it is found that the debtor has the ability to pay, but refuses to pay, then recovery action will continue promptly within the existing arrangements for the type of debt.

- If it is found that the debtor is suffering severe hardship or has difficulty managing their own affairs, the following will be considered:
  - Can we reduce the debt? Are they entitled to take up relevant benefits, discounts, exemptions, reliefs or any other reductions to minimise the potential for debt accrual?
  - Does the debtor owe money to other Council services? If so the debtor will be advised that, with their consent, all their Council debts may be taken into consideration when deciding on an arrangement. The advantage to the debtor in making a common arrangement is that they may save time and costs. However, it is for the debtor to decide if this is an option they want to pursue.

- If a debtor takes up the offer to deal with all Council debts collectively, the various services will communicate the debtor's details confidentially between themselves and will endeavour to take a holistic approach to collection without prejudice to their own service. An officer will be identified as a single point of contact for the debtor and will act as a liaison between services.

- Where there is no continuous liability a special long-term arrangement may be made according to the ability to pay and the existing recovery provisions such as an attachment of earnings.

- Where liability is continuous e.g. Council Tax, NNDR any arrangement made will normally require payments over and above the on-going monthly liability. Future instalments must be paid when due as a condition of the arrangement.

Longer term arrangements for older arrears will be strictly monitored and reviewed. If there is no improvement by the review date and if the amount payable cannot be reduced (by awarding Council Tax Support or other reliefs, discounts, exemptions etc.), the Council will reserve the right to continue with legal action, and in the case of Local Taxation, obtain a Liability Order from the Magistrates' Court. This is to protect the Council's interests and prevent the debt from becoming statute barred and irrecoverable. Nevertheless regular contact with the debtor will be made and part payments will be accepted to reduce the overall debt. Furthermore it is not in the debtor's best interest to have a long term arrangement when liability is continuous, since the level of debt will increase as time goes by and the debtor's situation deteriorate rather than improve.

- If a debtor is receiving Income Support or Job Seekers Allowance, this will usually limit the ability to pay to no more than the amount that can be paid directly to creditors by the Department of Work and Pensions (DWP). Where appropriate, a separate agreement will be made for additional debts and Liability Orders depending on the individual's circumstances.

- Debtors given time to pay will be advised to contact the Council immediately should they experience a change of circumstances affecting their ability to pay. This is to discuss the options available to prevent recovery action and additional costs.

If a debtor fails to co-operate by:

- Refusing to provide details of their means, and/or
- Not consenting to multiple debts being dealt with together, and/or
- Failing to pay a special arrangement on time without contact, then recovery action will be taken promptly in the normal way.

- If there are council tax arrears on properties of over £1,000, then we are able to apply for a charging order. This basically means we register our interest against a property and when it is sold, we receive the payment out of the proceeds of sale. Some customers ask us to use this method where they have no or low income and are in the process of selling their property. This method is also used where other recovery action has not been successful and the property is empty or a second home. This helps bring the property back into use. Where these properties are occupied and there is very large debts because of repeated non-payment, then this method

LIMITATIONS ON DEBT RECOVERY

All Enforcement Agents appointed will work to an agreed Enforcement Agent Code of Practice & Enforcement Agent Instructions as shown in Appendix 3.

PROCEDURES AND TRAINING

This policy will be made available to all staff dealing with income collection and recovery. This will be reinforced with training and management supervision of all staff involved in collecting debt.

MONITORING

Each section will be responsible for ensuring that this policy is adhered to and effective. Management information will be required for each debt stream on a monthly basis to be co-ordinated by the Revenues Section in a format to be agreed.

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DEBT WRITE OFF POLICY

1. This forms part of the Council's Corporate Debt Management and Recovery policy (Appendix 2).

2. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered for write off. The Council views such cases very much as exceptions and this document provides the framework within which procedures must be documented and followed.

3. The Debt Management and Recovery policy takes account of the impact that getting into debt can have on people and their families, so it also encourages people to pay, and aims to provide all reasonable facilities and assistance for them to do so. Before writing off debt, the Council will satisfy itself that all reasonable steps have been taken to collect it and that no further recovery action is possible or practicable. It will take into account the age, size and types of debt, together with any other factors that it feels are relevant to the individual case.

4. The Council will only consider write off in the following circumstances:

Category	Requirement	Action
De-minimus / Uneconomic to collect	Debts less than £25.00 would not be cost effective to pursue. Sundry Income Debts of £100 plus which have been returned from tracing agents and where legal costs will exceed the debt.	Submit for Write Off
Debtor deceased – No Estate	Insufficient funds in estate to discharge debt.	Submit for Write Off
Debtor absconded / Unable to Trace / Detained or Imprisonment *	All attempts to trace debtor have failed. Including tracing agent for debts over £25.00. Including long-term imprisonment (12 months) or more.	Submit for Write Off
Debtor in bankruptcy or liquidation or other insolvency proceedings including Debt Relief Orders**	A claim against the debtor has been lodged with the administrators. No dividend is to be paid or the balance after the dividend is submitted.	Submit for Write Off
Debt cannot be proved (conflict of evidence)	An explanation should be given as to why recovery cannot be made.	Submit for Write Off
Ill Health & no means	Written evidence of one of the following criteria: 1. Terminal illness and limited means 2. Where payment would cause further ill health 3. Old age and frailty and no financial	Submit for Write Off

	assistance 4. Severely mentally impaired and no financial assistance 5. Long term hospitalisation or residential care and no means to pay	
Undue hardship and debt remaining following negotiated settlement.	Where the debtor can provide written evidence of genuine financial difficulty, showing evidence of inability to pay even small instalments, or that such payment will cause undue hardship.	Submit for Write Off
Debt remitted by the Court	Action in the Magistrates Court has resulted in the Magistrates remitting the debt, leaving the Council with no alternative but to write off the amount.	Submit for Write Off
Irrecoverable / Out of Jurisdiction***	The debtor has moved out of legal jurisdiction or the debt has been returned nulla bona and all other recovery avenues have failed.	Submit for Write Off

* *If a debtor's whereabouts become known after the write-off has been approved, then the debt should be written back on.*
** *If a dividend is subsequently paid, then the debt should be written back on.*
*** *If the debtor subsequently moves back into legal jurisdiction, then the debt should be written back on.*

5. 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. ongoing accruing debt) accounts be considered for write off. Such cases must demonstrate that further recovery action will not achieve collection of the debt.

6. The Head of Finance will be accountable to Cabinet Committee for the effective management of debt write offs and will ensure that appropriate performance management arrangements are introduced across all Council service and debt areas.

7. Decisions on the write off of individual debts will be taken in accordance with the Council's Scheme of Delegation. They must also comply with all relevant statutory requirements and those of the Head of Finance or designated representative(s).

8. Cabinet Committee will receive an annual report from the Head of Finance summarising performance on debt write offs during the previous year.

9. Each Service Head will be responsible for the initial recovery of debt within their service. Where the debt is collected through Sundry Income the Head of Finance will be responsible. Once recovery action is required this must be passed to the recovery section who will then take ownership of the debt.

10. The Heads of Service will be responsible for the regular review of debts and will consider the need for write off of individual debts within their jurisdiction, monthly.

11. Negotiated settlements generally result in the need for a write off. Any negotiation of a settlement <u>at court</u> will be the responsibility of the Court Officer, as such situations cannot be planned and we need to respond immediately. Any other negotiated settlement will require approval according to the Scheme of Delegation i.e. the write off amount is the sum being remitted through negotiation.

12. Prior to write off being proposed, the debt will be reviewed to ensure that no Further recovery action is possible or practicable.

13. Following the appropriate investigation, those debts still considered irrecoverable will be proposed for write off. The following information needs to be provided for each debt to the officer who authorises the write offs:
    - Debtors name
    - Debtors address
    - Description of debt
    - Period of debt and / or date of invoice
    - Amount to be written off
    - Reason for write off

    Supporting documentation must be retained and available that shows:
    - Evidence to support write off
    - Recovery history
    - Details of tracing and enquiries carried out

    In considering a debt for write-off the following conditions will apply:
    - Each case will be considered on its merits
    - Each request will be supported by relevant documentation
    - Each case will receive authorisation from the appropriate authorised officer

14. Appropriate records of all authorised write offs will be maintained and reviewed periodically against live caseload. This will enable any trends to be identified and will support the review of the Policy every 12 months.

15. Authorisation levels are reflected in the Scheme of Delegation within the following parameter.

Section Manager / Team Leader	up to £2,000
Head of Service / Revenues Manager	up to £10,000
Section 151 Officer or Deputy Section 151 Officer	up to £20,000
Head of Finance or Chief Executive in consultation with the Portfolio Member	over £20,000

16. The Head of Service will record all write-off decisions, and provide a summary to the Head of Finance. This will be available for further Scrutiny, for Audit purposes and for reporting to Cabinet.

17. The Head of Corporate Finance will submit an annual report to Cabinet identifying the following:
    - A summary of debts written off in each debt area showing reason for write-off, values and number of cases.
    - Collection performance for each service area
    - Level of arrears outstanding
    - Level of provision for bad and doubtful debts

Reviewed July 2020

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Enforcement Agent Code of Practice

Any Enforcement Agent engaged by this Council shall adhere strictly to the provisions contained in the appropriate legislation relevant to taking control of goods and any other instructions laid down by this Council as may be in force at the relevant time.

The Enforcement Agent will not raise or charge any costs or fees in excess of the costs and fees allowed under the regulations in force as shown in the table below:-

Schedule of Enforcement Fees (other than under a High Court Writ)

Fee Stage	Fixed Fee	Percentage fee (regulation 7): percentage of sum to be recovered exceeding £1500
Compliance Stage	£75.00	0%
Enforcement Stage	£235.00	7.5%
Sale or disposal stage	£110.00	7.5%

The above figures are not including VAT.

The Enforcement Agent shall not represent himself as an employee or representative of the Council, unless directly employed by the Council.

- The Enforcement Agent shall not follow any irregular practices with regard to taking control of goods or attempting to take control of goods, or in the execution of warrants and shall not cause nuisance or trespass in the execution of his duties.
- The Enforcement Agent may conduct his business out of normal office hours, (8:30 - 5:00) but shall at all times consider the reasonableness of the time and the debtor’s personal and business movements.

- The Enforcement Agent shall not discriminate against or in favour of a debtor on the grounds of ethnic origin, sex, religion, status, race, colour, creed or disability.
- No removal of goods is to be undertaken without prior authorisation, preferably in writing, by the Client, against the long term sick, the disabled (either mental or physical) those in hospital, those recently bereaved, those on Income Support, or those where in the opinion of the attending Enforcement Agent to do so would cause the Council unwarranted publicity.
- All Enforcement Agents are required to be Certificated Enforcement Agents of the County Court and either corporate or individual members of CIVEA or working towards it and shall not have, nor permit any of his personnel to have, any criminal convictions or disqualification including those under the Rehabilitation of Offenders Act 1974 and shall sign a declaration to that effect.
- Debtors are to be given a minimum 14 days notice before enforcement visits commence.
- The Enforcement Agent shall indemnify the Council against any and all actions arising from any act or omission not occasioned by the Council and those where the Enforcement Agent was aware that there was an act or omission prior to the action taking place.
- Cases where the taking control of and removal of "Tools of the Trade" over the statutory £1350 limit is being sought shall be referred on a case by case basis to the Revenues Team Leaders/Revenues Manager. No such removal shall take place without this referral having been made.
- Whilst permitted in legislation, visits are not to be made on Sundays.

Revised July 2020

- **Enforcement Agent Instructions**

NORTH NORFOLK DISTRICT COUNCIL

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1. General

1.1 It is the Council's policy to be firm yet fair when dealing with our taxpayers.

1.2 Although the Council's preferred method of recovery is Attachment of Earnings or Benefits the Council's Policy is that the most appropriate method shall be used from information available to recover the sums due.

1.3 No method of recovery shall be used which is either not in the Council's best interests or which may bring the Council into disrepute. At all times an attempt should be made to minimise the detrimental effect on the family of the taxpayer whilst ensuring the debt is paid. Special care shall be taken when dealing with vulnerable groups i.e. the elderly, the long term sick, the disabled (either mental or physical) those in hospital, those recently bereaved, or those on Income Support/Job Seekers Allowance Income Based.

1.4 If there is a genuine inability to pay and the debt is small the Enforcement Agent should pass the information and circumstances to the office so that an informed decision as to the appropriate action can be made.

2. ENFORCEMENT AGENT WORKING PRACTICES.

2.1 The Contractor shall not sub-contract the provision of the service or any parts thereof to any person.

2.2 Work shall be issued to the Enforcement Agent electronically.

2.3 The Enforcement Agent shall conduct his/her affairs in accordance with statutory requirements and comply with the North Norfolk District Councils Code of Conduct for Enforcement Agents, Enforcement Agent Guidelines, Enforcement Agents Code of Practice, and any Nationally approved Code of Practice.

2.4 All visits shall be carried out in accordance with legislation.

2.5 The Enforcement Agent shall commence processing all cases issued to him within 3 days of instruction unless otherwise agreed by the Council.

2.7 The Enforcement Agent shall, on each visit to a debtors premises, present his identification without being requested to do so once it has been confirmed that he is speaking to the debtor.

2.8 The Enforcement Agent shall thoroughly and accurately complete the appropriate visiting documentation provided to him by his employer.

2.11 The Enforcement Agent shall seek completion of signed controlled goods agreements where required.

2.12 The Enforcement Agent shall have regard to the Council's Special Arrangement Policy when considering entering into Controlled goods agreements with the debtor.

2.13 Goods taken into control shall be detailed on the appropriate Enforcement Agency documentation. In the case of electrical goods, serial numbers shall be listed on the inventory.

2.14 In exceptional circumstances, i.e. where the Council or the Enforcement Agent is aware of a debtors imminent intention to move away or another Enforcement Agents' imminent involvement in one of our cases, the normal process will be by-passed and immediate action to take control of/remove goods to secure the Councils' position shall take place.

2.17 The Enforcement Agent shall provide sufficient and accurate evidence, including a nulla bona certificate, in cases where required.

2.18 The Enforcement Agent shall obtain authorisation from Sean Knight, Carl Copping or Trudi Grant prior to the removal of goods taken control of.

2.19 The Enforcement Agent shall attend Court to act as witness if so required.

2.20 The Enforcement Agent shall immediately inform Sean Knight, Carl Copping, Emma Poynter or Terri Saunders of any cases of physical or verbal abuse or where any action could lead to an official complaint or legal challenge being directed at the Council.

2.21 The Enforcement Agent shall be notified by the Council within five working days of the posting to an individual's account of payments received or amendments made which alter the balance of any Liability Order currently being processed by him/her.

COUNCIL'S SPECIAL ARRANGEMENT POLICY

- When making special payment arrangements the Enforcement Agent shall endeavour to ensure the arrangement ends within the same financial year, or does not exceed a period of 12 months, having sought approval from a member of the Revenues Team.

- Debtors can be offered the option of weekly or fortnightly instalments instead of monthly.

- If the debtor requests that the instalment profile is extended over a year end or twelve month period written or verbal authorisation shall be sought from a member of the Revenues Team

- Remember when making these arrangements to notify the Debtor that the new year's instalments will need to be paid when due.

- All arrangements shall be made subject to the debtor signing a controlled goods agreement.

- Any failure by the debtor to maintain the special arrangement shall result in further recovery action being taken.

Revised July 2020

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Officer Delegated Decisions (June to July 2020)

Summary:	This report details the decisions taken by Senior Officers under delegated powers from 19th June to 24th July 2020.
Options considered:	Not applicable.
Recommendations:	**To receive and note the report and the register of officer decisions taken under delegated powers.**
Reasons for Recommendations:	The Constitution: Chapter 6, Part 5, sections 5.1 and 5.2. details the exercise of any power or function of the Council where waiting until a meeting of Council or a committee would disadvantage the Council. The Constitution requires that any exercise of such powers should be reported to the next meeting of Council, Cabinet or working party (as appropriate)

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

Delegated decision forms – as completed by the relevant officer

Cabinet Member(s)	Ward(s) affected
All	All
Contact Officer, telephone number and email: Emma Denny, Democratic Services Manager, 01263 516010	

1. Introduction

1.1 Officer delegated decision making process.

The officer delegated decision making process has been refreshed in light of the Covid-19 pandemic so that decisions that need to be made quickly can be. The reporting of decisions taken in this way has been strengthened, so it is clear that it is an officer decision that is being made, and the consultation requirements around those decisions. These decisions are available to the public through the website and are reported to Members through a weekly information bulletin. Key decisions are reported to Cabinet. The process for reporting and consulting on these decisions is contained in the Constitution at Chapter 6, 5.1 and 5.2 and the publication of these decisions is a legal requirement.

2. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

2.1 Following the outbreak of the Covid 19 pandemic, the Council had to realign its resources and the committee meeting cycle was reviewed and adapted to accommodate the business coming through. Committee meetings are being held remotely for the foreseeable future. All decisions taken under delegation from mid-March onwards are recorded on the Council's website: https://www.north-norfolk.gov.uk/tasks/democratic-services/officer-delegated-decisions/

2.2 Several of the key decisions that were taken under delegation in the early stages of the pandemic, have now been re-visited and reversed and this is reflected in the summary list of officer decision (Appendix A). All of the decisions taken since March 2020 are included in the list.

3. Consultation

3.1 The Constitution requires that for the exercise of any power or function of the Council in routine matters falling within established policies and existing budgets, where waiting until a meeting of the Council, a committee or working party would disadvantage the Council, an elector or a visitor to the District, then the officer exercising the power must consult with the Leader, the relevant portfolio holder and if it relates to a particular part of the District, the local member.

3.2 For the exercise of any power or function of the Council, which in law is capable of delegation, in an emergency threatening life, limb or substantial damage to property within the District, the senior officer shall consult with the Leader or the Deputy Leader. The Covid 19 pandemic was considered to fall within this category.

3.3 Overview and Scrutiny Committee will receive the delegated decisions list at their meetings so they can fully understand why they were taken and assess the impact on the Council.

4. Financial and Resource Implications

As many of the decisions taken by officers under delegated powers were key decisions there is a financial impact. The majority of the decisions reported to Cabinet on 6th July were related to Covid 19 and had not been included in the Budget set by Full Council on 26th February 2020.

5. Legal Implications

The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require that all decisions, including those taken by officers, must state:

- The decision taken and the date it was made
- The reasons for the decision
- Details of options considered and rejected and the reasons why they were rejected

- Declarations of interest and any dispensations granted in respect of interests

Officers taking a decision under delegation are required to complete a form.

6. Conclusion and Recommendations

Several decisions, including key decisions, have been taken by senior officers under delegated authority during the Covid 19 pandemic. Each decision has been recorded and a summary is provided at Appendix A

Recommendation:

Cabinet is asked to receive and note the register of officer decisions taken under delegation.

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Record of Decisions taken under Delegated Authority (Appendix A)

Delegated Power being exercised; *Chapter 6; Full delegation to Chief Officers* *Section 5.1: routine matters* *Section 5.2 Emergency powers*	**Key Decision y/n**	**Officer exercising Delegation**	**Details of decision made**	**Consultations undertaken** *Section 5.1 : Leader or Portfolio Holder/Local Member* *Section 5.2: Leader or Deputy Leader*	**Date of decision**	**Date Reported to Council/Cabinet**
Section 5.2	No	Head of Business Transformation & IT	To provide refunds, or extensions to the period of validity, to purchasers of short term car park season tickets purchased in the 6 weeks before the closure of Council car parks, when requested by the purchaser.	S 5.2 - Leader	19.06.2020	03.08.2020
Section 5.2	No	Chief Executive	To provide a one-month discount / reduction in this year's rental changes to Beach Hut and Chalet owners to be deducted from next quarter's invoice.	s 5.2 - Leader	26.06.2020	03.08.2020
Section 5.1	No	Head of Economic & Community Growth	To produce a revised prospectus for the North Norfolk Sustainability Fund (formerly Big Society Fund)	s.5.1 – Portfolio Holder s.5.2 - Leader	10.07.2020	03.08.2020

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Property Transaction, Lease renewal at Cromer Promenade

Summary:	The tenant concerned approached the Council in 2019 with regards to extending the term of the ground lease as the lease had 4 remaining years. This was to give them greater certainty over continuing their business at that site particularly as they had recently invested in their premises.
Options considered:	To continue with the existing lease. As the lease only has a relatively short period till it expires, it offers no security to either the tenant to enable them to invest in their premises nor the Council in terms of an ongoing rental income.
Conclusions:	This proposal seeks to support the Council's financial strategy by optimising income generation through granting a longer term ground lease and by including provisions incorporated within that lease to review the rent.
Recommendations:	**That Cabinet agrees:** • **Surrender of the existing lease** • **Re-grant of new 20 year lease as set out in the exempt Heads of Terms**
Reasons for Recommendations:	The surrender and re-grant of a ground lease will ensure the continued receipt of rental income for a further 20 year period.

Cabinet Member(s)	Ward(s) affected
Cllr G Hayman	

Contact Officer, telephone number and email:
Renata Garfoot, Estates & Asset Strategy Manager
Renata.garfoot@north-norfolk.gov.uk

1. Introduction

1.1 The Council leases an area of Cromer Promenade to a private company, as a ground lease for the occupation of their own premises.

1.2 The tenant has leased the land since at least 2004, with the current lease commencing during 2017. The term was for a 4 year period, which is due to expire in 2023.

1.3 The tenant approached the Council in 2019 with regards to extending the term of the ground lease as the lease had 4 remaining years. This was to give them greater certainty over continuing their business at that site particularly as they had recently invested in their premises.

1.4 Following this approach Officers have engaged in discussions with the tenant and subsequent negotiations have resulted in a proposed surrender of the existing lease and re-grant of a new lease for a 20 year period.

1.5 This report seeks approval from Cabinet to complete the lease.

2. Proposed Ground Lease

2.1 The proposed lease terms and conditions will in principle follow those of the existing lease. Heads of Terms can be found in the exempt Appendix A, providing further information.

2.2 The business has been trading for over 35 years in the leisure/amusement sector, operating also in additional coastal locations. The company trades within the Family Entertainment Centre License and is deemed to be a good tenant covenant for this lease.

3. Corporate Plan

3.1 The Council has a recently adopted Corporate Plan with key priorities including those that this proposal directly supports:

3.1.1. Boosting Business Sustainability and Growth

3.1.2 Financial Sustainability and Growth

3.2 Alongside the Corporate Plan the Council has an Asset Management Plan which sets out the strategic direction for the management of the Councils land and property portfolio and includes the Commercial Property Strategy. This strategy provides a framework through which the Council can effectively manage its land and property on a more commercial informed basis to ensure that income generation is optimised, as it is used to help fund, maintain and improve Council services that matter the most to local people.

3.3. This proposal supports the objectives of the Asset Management Plan and Commercial Property Strategy.

4. Conclusion

4.1 The Council takes a more commercially informed direction with its land and property portfolio, which is a key strategy in responding to the financial pressures and challenges the Council currently faces.

4.2 This proposal seeks to support the Council’s financial strategy by optimising income generation through granting a longer term ground lease and by including provisions incorporated within that lease to review the rent.

4.3 The proposal also enables the company to provide continued employment opportunities from operating at that location and business sustainability which would have been impacted by the remaining short term.

5. Implications and Risks

5.1 Eastlaw are the Councils legal representative who are advising on this property transaction. The existing lease will be surrendered by them with a re-grant of a new lease.

5.2 The key risks with leased assets are around the risk of arrears and dilapidations. These can be mitigated with proactive asset management and with the lease being a ground lease there is less risk around dilapidations as the premises are owned by the tenant.

6. Financial Implications and Risks

6.1 Details of the rent and rent review terms can be found in the Heads of Terms.

6.2 The rental income received provides revenue to the Council supporting the Medium Term Financial Strategy and helps in the delivery of Council services.

6.3 Tenant is to meet the Councils reasonable legal costs.

6.4 There are no capital implications for the Council with the proposed lease.

7. Sustainability

7.1 Land and property assets play a key role in providing community benefits, a quality service provision and contribution to the Mid Term Financial Strategy, so that they are utilised more effectively to meet tough financial targets both through reducing costs and generating income. These assets are also held to support the Council's corporate objectives and values as highlighted in the Council's Corporate Plan and Council owned assets can be effective in supporting the vitality of our communities.

8. Equality and Diversity

8.1 The information within the property does not create any direct implications.

9. Section 17 Crime and Disorder considerations

9.1 The information within the property does not create any direct implications.

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