

# Public Document Pack

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### COUNCIL

THURSDAY, 11TH FEBRUARY, 2021

### SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

**Agenda No    Item**

6.            **ITEMS REFERRED FROM OTHER COMMITTEES (Pages 3 - 62)**

Any Items referred from other committees will be circulated as soon as they are available.

The following report were considered by Cabinet at the meeting held on 26 January 2021.

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**REPORT CONSIDERED BY CABINET AT THE MEETING HELD ON 26 January 2021**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

**1. EXECUTIVE SUMMARY**

1.1 The Investment Strategy provides the following key information:

- A capital programme of £14.718m in 2021/22 and £25.074m for the period 2022/23 to 2025/26.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2021/22)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy
- The scope of treasury investments where the Council will invest any surplus cash.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet recommend to Council the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- 2.2. That Cabinet recommend to Council the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.12 to 8.17).

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes
- 3.2 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Each proposed service related capital scheme is the result of consideration of options for the best way of continuing service delivery by the relevant Service Director in consultation with the relevant Executive Member. The capital schemes relating to District investments (rather than directly service related) will primarily consider the benefits to the District and residents, as well as a risk-based yield.
- 4.2 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2020. Notes of the comments raised at the workshops were provided to Cabinet in December.
- 5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.3 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

#### **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision, as the ultimate decision is made by Full Council.

#### **7. BACKGROUND**

- 7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District and a review of the Medium Term Financial Strategy. Finance and other resources are aligned to the strategic priorities as set out in the Council Plan.
- 7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2020/21. The report advised that total expenditure of £46.119m would be required to deliver the current capital programme for 2020-2030, with £3.937m forecast to be spent in 2020/21. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2020. In December, Cabinet approved a referral to Council for the reprofiling of IT budgets to allow the purchase of laptops. These will be subject to approval by Full Council in January but are included in the table below to provide a complete picture of the current anticipated position.

Table 1

	2020/21 £M	2021/22 £M	2022/23 to 2029/30 £M
<b>Original Estimates approved by Full Council February 2020</b>	<b>9.357</b>	<b>5.405</b>	<b>26.650</b>
<b>Changes approved by Cabinet in 3rd Qrt 2019/20</b>	3.801	0	0
<b>Changes approved by Cabinet in 2019/20 Capital Outturn report</b>	0.277	0	0
<b>Revised Capital estimates at start of (2020/21)</b>	<b>13.435</b>	<b>5.405</b>	<b>26.650</b>
<b>Changes approved by Cabinet in Covid-19 Financial Impacts report 21/07/20</b>	-2.809	1.713	1.096
<b>Executive Member – Finance and I.T. approved additional Expenditure on 4 schemes</b>	0.180	0	0
<b>Changes at Q1</b>	-0.287	0.296	0
<b>Executive Member – Finance and I.T. approved additional Expenditure on 4 schemes</b>	0.458	0	0
<b>Changes at Q2</b>	-7.040	7.022	0
<b>Proposed reprofiling of IT budgets to allow the purchase of laptops (subject to Full Council approval in January)</b>	0.050	0.030	0.169
<b>Executive Member – Finance and I.T. request to approve additional Expenditure on Council Chamber to enable an improved layout</b>	0.021	0	0
<b>Current Capital Estimates</b>	<b>4.008</b>	<b>14.466</b>	<b>27.915</b>

7.3 The Treasury Strategy Statement for 2020/21 was approved by Council in February 2020. A mid year review of the Treasury Strategy will be provided to Council in January 2021. There have been no changes made to the Strategy during the course of 2020/21.

## 8. RELEVANT CONSIDERATIONS

8.1 The proposed Investment Strategy is attached at Appendix A. Council are asked to approve this strategy, which includes the following:

- New capital investment proposals totalling £1.348m
- A total capital programme for the period of 2021/22 to 2025/26 of £39.792m.
- Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators

8.2 The following are provided as appendices to Investment Strategy, and are also appendices to this report:

- Appendix A1- A full list of planned future capital expenditure (2021/22 onwards)
- Appendix A2- A list of new capital schemes and schemes planned to commence from 2021/22

- 8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.
- 8.4 In general the capital programme detailed in tables 6 and 7 on pages 13 and 14 is what was presented to the budget workshops (as referenced in paragraph 5.1). The two exceptions to this are:
- The proposed changes to the IT budgets for purchase of laptops as detailed in paragraph 7.2. The detail presented to the budget workshop did detail a shift from desktop to laptop PCs, but the amounts and profiling has changed since then. Full details are provided in the separate report to Cabinet and Council.
  - The addition of a £27k budget for the purchase of 76 election polling booths and ballot boxes. A number of the booths are coming to end of their useful life. This purchase is for a new type of more portable booth that should make transit and storage easier, and hopefully less expensive. It is also possible to reclaim a proportion of the costs when we carry out elections on behalf of others (e.g. County Council, Police and Crime Commissioner and Parliamentary). The opportunity to progress with this purchase this year was only identified after the budget workshops.
- 8.5 As detailed in table 7 on page 14, there is an allocation of £20m that is aligned to the Property Acquisition and Development Strategy. In addition, there is an allocation for spend on residential property that is funded from capital reserves and has been reprogrammed in to 2021/22. Table 8 (on page 16) provide an assessment of the Security, Liquidity and Yield of the projected spend on these assets. Table 9 (on page 16) details that the assessment of the expected risk of loss will be carried out as part of individual business cases. The paragraph at the bottom of page 24 details the changes to the rules for accessing Public Works Loan Board borrowing, and why it has been necessary to shift the focus of the residential property investment to development and conversion.
- 8.6 As detailed in table 11 (on page 17) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £5.2m of borrowing in 2021/22, rising to £6.3m in 2023/24, £13.0m in 2024/25 and up to £18.2m by the end of 2030/31. As detailed on page 19, the Council can consider whether to borrow internally or externally. The advantages and disadvantages of each are also considered on pages 19 and 20. Based on this, and the uncertainty over value and timing of capital receipts it is considered that the Council should assume that it will need to borrow externally. This will be given further consideration at the time that any borrowing is needed. If the forecast is that the need is more likely to just be for a short period (e.g. there is greater certainty over capital receipts) or there is a clearer indication over future interest rates (e.g. they are not likely to rise) then internal borrowing will be reconsidered. It is also possible that there will not be the need to borrow that is identified if there is slippage on the capital programme, this is particularly likely in relation to the investments described in paragraph 8.4 above as they are dependent on there being the right opportunities.
- 8.7 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). For external borrowing there is also a need to pay interest costs. The need to borrow in effect comes from the decision that has been made to invest £20m in line with the Property Acquisition and Development Strategy. The primary reason for any such investment is for the purposes of the Council's functions or the benefit, improvement or development of the area. However, investments will only be taken forward if they generate a return above the cost of capital (based on prevailing

interest costs and estimated MRP). This reflects suitable compensation for the risks of property investment. This return has not been factored in the revenue budgets and nor will the costs of capital (interest charges and MRP). This is considered to be a prudent net approach to take. The totals for Treasury Indicator 6 on page 24 are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 6% for new investments (2.5% MRP + 2% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 4.5% (2.5% MRP and 2% interest).

- 8.8 The Council also needs to determine a MRP policy. The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore, it is considered appropriate to use adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.
- 8.9 Table 17 on page 29 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following changes are proposed compared to last year:
- Increase investment limit with other individual Local Authorities from £3m per Authority to £5m. This is based on increasing the percentage that can be invested from 10% to 15%. This reflects that other Local Authorities are relatively low risk due to their tax raising powers, and that a number of other Local Authorities will now only look at borrowing £5m or more.
  - Increase overall Building Societies limit from £16m to £17m. This change applies the same percentage as last year, but the forecast year end total investment balance is slightly higher.
  - Increase the limit with the same banking group from £4m to £5m and increase the total limit with banks from £20m to £21m. This change applies the same percentages as last year, but the forecast year end total investment balance is slightly higher.
  - To reduce the amount that can be invested in Property Funds to £2m. This uses the same percentage but applies it to the forecast balance at the end of 2025/26. This reflects that this should be considered to be a long term investment.
  - To add the option to invest in UK multi-asset funds. These funds invest in a range of assets to achieve diversification. These assets include equities, bonds and cash and are can be spread over a broad range of strategies, styles, sectors and regions. These should be considered to be longer-term investments and are expected to provide a greater return (over time) that is commensurate with the increased liquidity risk. The proposed limit is set at £2m in line with the rationale for Property Funds (above).
- 8.10 In relation to the Property Funds and Multi-asset Funds mentioned above it is important to invest in a fund that is appropriate for the Council (e.g. considering types of investments, level of risk, balance between income and capital growth, approach to ethical and green investments). The treasury budget will be used to procure professional advice in respect of this. It should also be noted that the fees involved will be very small in comparison to the potential differentials in yields between the various funds.

- 8.11 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.
- 8.12 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.
- 8.13 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:
- This organisation defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
  - This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
  - This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 8.14 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs are substantially unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):
- TMP1- Risk Management
  - TMP2- Performance Measurement
  - TMP3- Decision making and analysis
  - TMP4- Approved instruments, methods and techniques
  - TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
  - TMP6- Reporting requirements and management information arrangements
  - TMP7- Budgeting accounting and audit arrangements
  - TMP8- Cash and cash-flow management
  - TMP9- Money laundering
  - TMP10- Staff training and qualifications
  - TMP11- Use of external service providers
  - TMP12- Corporate Governance
- 8.15 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

- 8.16 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.6.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (a) (iii) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.
- 8.17 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

## **9. LEGAL IMPLICATIONS**

- 9.1 Full Council will decide the overall capital budget (Constitution 4.3) and approve the treasury management strategy statement (Constitution 4.4.1 (dd)).
- 9.2 Cabinet will recommend to Full Council the annual capital budget (Constitution 5.6.38) and treasury management strategy statement (Constitution 5.6.39).
- 9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).
- 9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Service Director- Resources.
- 9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 These are covered in section 8.

## **11. RISK IMPLICATIONS**

- 11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed. The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.
- 11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2021/22 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report. The projects at section 8.4 may have impacts that contribute to an adverse impact. As these projects go forward, an assessment will be made where necessary.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct human resources implications arising from this report.

## **16. APPENDICES**

- 16.1 Appendix A - Investment Strategy
- 16.2 Appendix A1 - A full list of planned capital expenditure (2021/22 onwards)
- 16.3 Appendix A2 - A list of new capital schemes and schemes planned to commence from 2021/22

## **17. CONTACT OFFICERS**

- 17.1 Ian Couper, Service Director- Resources, Ext: 4243, E-mail: [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)
- 17.2 Dean Fury, Corporate Support Accountant, Ext 4509, [dean.fury@north-herts.gov.uk](mailto:dean.fury@north-herts.gov.uk)
- 17.3 Reuben Ayavoo, Policy and Community Engagement Manager, Ext 4212, [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)

## **18. BACKGROUND PAPERS**

- 18.1 None

## **Appendix A**

### **Investment Strategy (Integrated Capital and Treasury Strategy)**

## Part 1- Overview

### Introduction

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending plans. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

The Chartered Institute of Public Finance and Accountancy (CIPFA) define treasury management as:

*“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

This strategy now provides an integrated view of capital spend and income, alongside treasury management. This is because long-term Treasury management is inextricably linked to the funding of the capital programme. There is also a requirement to apply treasury management principles to any capital spend that is not related to service provision.

The format of this strategy is as follows:

#### Part 2- Capital Spend

- A summary of the Council's current capital assets. For those assets that are not held for service provision, an assessment against the principles of Security, Liquidity and Yield.
- Forecasts of the capital and revenue spend required to maintain those assets.
- Planned spend on new capital assets, with the additional assessment of risk, security, liquidity and yield for those assets that are not being acquired for service provision.
- This part of the strategy therefore gives a complete picture of forecast capital spend.

#### Part 3- Capital balances, receipts and the Capital Financing Requirement (CFR)

- Forecasts of expected receipts from the sale of surplus capital assets.
- Comparing capital spend forecasts with capital reserve balances and forecast future receipts gives the Capital Financing Requirement, which is the Council's need to borrow.

#### Part 4- Borrowing Strategy and Minimum Revenue Provision (MRP)

- This leads to the setting of a borrowing strategy which sets out how to borrow, when to borrow and for how long.
- Where the Council has a borrowing requirement, then it is required to set a policy on Minimum Revenue Provision.

#### Part 5- Investment Strategy

- This is then all combined to determine the levels of cash that the Council will have available for investment. This leads to an investment strategy that determines where to invest any balances, including limits on types of investments.

#### Part 6- Overall Risk considerations

- To consider the cumulative risks that the Council faces that arise from the totality of this strategy.

#### Part 7- Glossary of terms

- To explain the various terms used in this strategy.

The strategy sets a number of prudential and treasury indicators. A prudential indicator is one which is required by statutory guidance, whereas a treasury indicator is one that is set locally to provide information on performance.

#### Reporting requirements

Full Council will receive and approve three reports during the year:

- The Integrated Capital and Treasury strategy (this report)
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management strategy

Each of these reports will be reviewed by the Finance, Audit and Risk (FAR) Committee and Cabinet. The FAR Committee and Cabinet will also receive reports on the position as at the end of the first (to end of June) and third (to end of December) quarters. The FAR Committee undertakes an oversight role.

These reports will provide relevant updates on performance against the prudential and treasury indicators.

#### Basis of Estimates

The estimates contained within this strategy are based on the best information that can reasonably be obtained. For forecasts of spend on assets (revenue maintenance, capital maintenance and capital acquisitions) this is based on a combination of previous experience, indicative quotes, condition surveys and professional advice. The estimates of capital receipts are provided by the Council's Senior Surveyor and are prudent estimates based on expected use, type of sale, market conditions and (where applicable) the status of negotiations to date.

The Council has experienced some cost increases on capital projects in the past. These have generally arisen from delays in the start of the project and subsequent inflation rather than incorrect estimates. Budget Holders have been asked to be as realistic as they can be about the timing of projects and ensure that forecast costs are aligned to the expected timing. There will also be external factors that affect estimates, particularly the impacts of the United Kingdom's withdrawal

from the European Union and ongoing uncertainty over Covid-19. For capital projects, there is some flexibility to the extent to which they can overspend without further approval (ranging from 5% to 20% dependant on value) and this is considered in setting this overall strategy and in the quarterly monitoring.

### Treasury Management Policy and Treasury Management Practices

In line with guidance from the Chartered Institute of Public Finance and Accountancy, the Council sets the following treasury management policy:

1. This Council defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council also has treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs follow the recommendations contained within the Code of Practice on Treasury Management (published by CIPFA), subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs cover the following areas:

- TMP1- Risk Management
- TMP2- Performance Measurement
- TMP3- Decision making and analysis
- TMP4- Approved instruments, methods and techniques
- TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6- Reporting requirements and management information arrangements
- TMP7- Budgeting accounting and audit arrangements
- TMP8- Cash and cash-flow management
- TMP9- Money laundering
- TMP10- Staff training and qualifications
- TMP11- Use of external service providers
- TMP12- Corporate Governance

### Treasury Consultant

The Council renewed its contracted with Link Asset Services to provide treasury management advice for the three year period October 2019 – September 2022. It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure

that undue reliance is not placed upon Link. However, there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

The performance of the treasury consultant is assessed through regular meetings and the justifications for the advice provided.

#### Skills and culture

It is important that decision makers are given the information that they need to make those decisions. Given that treasury and risk management can be a complex area; this should be accompanied by the availability of appropriate training. To address the availability of information, all Council, Cabinet and Committee reports include sections on both financial and risk implications. Where a decision is more financial in nature then these considerations will be detailed throughout the report. Table 1 details the key groups in relation to decision making and the training that has been made available. This strategy is required to disclose the steps that have been taken to provide training, and it is up to individual members of those groups to ensure that they take advantage of the opportunities offered.

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	Required to formally adopt this Strategy.  Required to approve any capital purchase over £2.5m.	Annual training that provides an introduction to Local Authority funding and accounting did not take place due to Covid-19 and that there were no elections, so no new Councillors. To be reinstated during 2021.  Training session in 2018/19 provided by Link (the Council's treasury advisors) on risk and how it can be assessed, particularly in relation to capital investment. To review when to re-run this session.
Finance, Audit and Risk Committee	To review the Council's policies on Treasury, Capital and the Medium-Term Financial Strategy.  To monitor the effective development and operation of risk management.	Members of the Committee (and substitutes) are encouraged to complete a skills self-assessment. This allows the targeting of specific training.  Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.
Chief Finance Officer and Finance Team	Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management.  Responsible for reviewing and amending the financial implications sections of reports.	Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.
Senior Management Team (SMT)/ Officer Leadership Team (LT)	Individual Service Directors will be responsible for putting forward proposals.  Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process.  Members of SMT are likely to be involved in negotiating commercial deals.	Training session on risk, risk appetite and assessing risk.  Regular updates on the Council's funding and finances, including significant changes in regulations.  Training on the core principles of the prudential framework.
Political Liaison Board (Joint Member and Officer Leadership Team)	Cabinet makes recommendations to Council on the policy direction and budget for the Council.  Approves capital spend up to £2.5m.	Presentations on the implications of the CIPFA Financial Management Code to help ensure effective financial governance and sustainability.

## Part 2- Capital Spend

### Current Capital Assets

As at 31<sup>st</sup> March 2020, a summary of the capital assets owned by the Council is shown in table 2 below.

**Table 2**

<b>Asset Type</b>	<b>Asset</b>	<b>Reason for ownership</b>	<b>Value (£000)</b>
Investment Properties	Various	Retained to generate income	17,785
Surplus Land and buildings	Various	Held for future sale or development	17,307
Offices and Storage	DCO	Staff offices, customer service centre and democratic facilities	5,075
Offices and Storage	Unit 3	Off-site storage, back-up IT and emergency planning	400
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	7,021
Leisure Facilities	Letchworth Outdoor Pool	Service use	2,605
Leisure Facilities	North Herts Leisure Centre	Service use	12,109
Leisure Facilities	Royston Leisure Centre	Service use	7,172
Leisure Facilities	Pavilions	Service use	1,676
Leisure Facilities	Recreation Grounds / Play Areas / Gardens/Allotments	Service use	5,978
Community Centres and Halls	Various	Community facilities, generally operated by third parties	11,259
Markets	Hitchin Market	To provide a market	134
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	12,254
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,398
Cemeteries	Various	Service use	1,419
Community Safety	Various CCTV cameras	Service use	23
IT	Various computer equipment and software	To enable the delivery of other services	240
Parking	Various car parks	Service use	9,368
Waste Collection	Bins	Service use	509
Waste Collection	Vehicles	Service use	2,270
Public Conveniences	Various	Subject to leases/ management arrangements	503
Other	Various	Various	436
<b>Total</b>			<b>116,941</b>

Table 3 shows the capital expenditure that has been incurred during the year, or is forecast to be spent in the remainder of the year:

**Table 3**

<b>Asset Type</b>	<b>Asset</b>	<b>Reason for purchase/ expenditure</b>	<b>Value (£000)</b>
Investment Properties	Residential Housing	To enable the conversion of Harkness Court to increase housing provision in the District	30
IT	Various computer equipment and software	To maintain IT service and provision of equipment in the Council Chamber	694
Various	Various	Capital maintenance of Council buildings/land	668
Leisure Facilities	Hitchin Swim Centre / Archers	Replace Outdoor Boiler	40
Leisure Facilities	Letchworth Outdoor Pool	Replace Outdoor Boiler	40
Leisure Facilities	North Herts Leisure Centre	Refurbish Members Changing room and upgrade Circulation Pipe work	259
Leisure Facilities	Leisure Condition Survey	Improvements to various Leisure sites	87
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Refurbishment of play areas.	147
Cemeteries	Various	St Johns and Wilbury Hills Path enhancement	20
Museums and Arts	Hitchin Town Hall and District Museum	Mainly works to the Town Hall	188
Museums and Arts	Museum storage	Museum storage solution	100
Parking	Multi-storey car parks	Lighting at Letchworth Multi-storey, wall works at Lairage Car Park, lift refurbishment at Lairage, resurfacing Lairage.	871
Parking	Off Street	Upgrade pay and display machines and resurfacing	53
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS).	572
Grants	Various	Disabled Facilities Grants and private sector housing grants S106 Grants (REFCUS)	239
<b>Total</b>			<b>4,008</b>

### **Capitalisation Policy:**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classed as Property, Plant and Equipment.

Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.

The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment.

The Council will provide grants that fund works on assets that it does not own. This expenditure can be treated as capital expenditure, even though it does not create an asset that the Council would then own or recognise. This is known as revenue expenditure allowed to be funded by capital under statute (or REFCUS).

For the assets that the Council owns (or plans to purchase in the year) that are **not** for service delivery, the security, liquidity and yield in relation to these have been considered. For these assets it is up to the Council to determine how it balances these, and this will depend on its risk appetite. This analysis is shown in Table 4. In most cases, assets are grouped together by type. Assets that are held for income generation purposes are revalued annually. This valuation is on a fair value basis. Unless detailed below the asset is considered to provide sufficient security.

### **Definitions:**

**Security-** In traditional treasury terms, this is the possibility that other parties fail to pay amounts due to the Authority. For commercial investments it relates to how susceptible they are to changes in value and market conditions.

**Liquidity-** This is the possibility that the Authority may not have funds available to meet its commitments to make payments. In general it relates to how easy it is to sell an asset.

**Yield-** The income return on an investment or asset, such as the interest received or rental income from holding a particular investment or asset.

**Table 4**

<b>Asset (or type of asset)</b>	<b>Security</b>	<b>Liquidity</b>	<b>Yield</b>
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.6m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.8m)	A long lease with upward only rent reviews. However, this is dependent on amounts due being paid. The Covid-19 restrictions mean that amounts are currently overdue.	On the basis that it generates a reasonable rental stream, likely to be some interest as an investment. Current rental stream is affected by the current Covid-19 restrictions. Therefore, low liquidity, which may improve when Covid-19 restrictions cease.	Valuations are based on the yield generated.
Letchworth Town Hall (value £0.6m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Beverley Close Store, Royston (value £0.1m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court)	The demand for housing is considered to be greater than an office building. Therefore, the expenditure on a conversion scheme is expected to increase the security of the asset.	The liquidity of the asset increased with the granting of planning permission and building regulation approval. Will continue to increase as conversion works progress. On completion will have quite high liquidity.	Not currently generating any income. The conversion will increase the capital value / enable generation of rental income.
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed	Not fully assessed

**Definitions:**

Fair Value: The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

For each of the assets in table 4, there is also a requirement to carry out a fair value assessment that demonstrates that the underlying assets provide security for the capital invested. There is a further requirement to carry out an assessment of the risk of loss. This assessment generally relates to investments in commercial activities so includes items that may be less relevant to the majority of our assets. In total the risk assessment covers:

- Assessment of the market that competing in, including nature and level of competition, market and customer needs including how these will evolve over time, barriers to entry and exit, and ongoing investment required.
- Use of external advisers and how the quality of these is monitored
- Whether credit ratings are used and how these are monitored
- Any other sources of information that are used

The assessments described above are shown in table 5. In most cases the assets are grouped together by type.

**Table 5**

<b>Asset (or type of asset)</b>	<b>Fair value assessment</b>	<b>Assessment of the risk of loss</b>
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.6m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Churchgate Shopping Centre, Hitchin- ground lease (value £1.8m)	Valued on a fair value basis. The valuation is based on rental yields.	External valuations have been commissioned in recent years. These have highlighted the difficulties that face retail and shopping centres in particular. These difficulties have been heightened by the current Covid-19 restrictions. It is unclear whether this additional impact will be ongoing when restrictions are lifted. Whilst, the freehold that the Council has is on beneficial terms which would usually provide investment returns, these returns are uncertain when the leaseholder is unable to generate income to afford to pay them. Whilst maintenance is the responsibility of the leaseholder, this will be impacted by availability of funds. Valuation reports have been checked and challenged by the Council's chartered surveyors.
Letchworth Town Hall (value £0.6m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall, there currently is an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Beverley Close Store, Royston (value £0.1m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed

Under the 'Use of Capital Receipts Direction', the Council can treat certain specified revenue spend as capital. Further details of the direction are shown below. Where this direction is used, the spend is included in the capital forecasts in tables 3, 6 and 7.

**Use of Capital Receipts Direction:**

The Capital Receipts direction has been used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2021/22– 2025/26.

For all assets the future capital cost of maintaining those assets has been considered, and gives the following future capital spend requirements (table 6).

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
<b>Existing Capital Programme-schemes 2021/22 onwards</b>							
Various	Capital maintenance based on condition surveys	255	0	0	0	0	0 (tbc)
Cemeteries	Ickneild Way, St Johns and Wilbury Hills - Enhance Footpaths	60	0	10	50	0	30
Computer Software & Equipment	To maintain IT services	87	492	133	458	494	1,174
Lairage Multi-storey car park		111	0	0	0	0	0
Hitchin Swim Centre	Refurbishment / Boiler Replacement	0	30	40	200	300	605
Letchworth Outdoor Pool	Boiler Replacement	0	0	40	0	0	0
North Herts Leisure Centre	Various Refurbishments	50	330	250	0	0	270
Royston Leisure Centre	Various Refurbishments	0	255	0	150	0	300
Various	Growth Fund Projects	713	0	0	0	0	0
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	300
Various Leisure Facilities	Condition Survey enhancements	0	0	107	0	0	0
Various Off-Street Car Parks	Resurfacing / Lighting	163	56	8	0	0	0
Various Parks and Playgrounds	Enhancements	180	270	435	215	180	900
<b>New Capital Programme</b>							
Coombes Community Centre	Improve Underground Drainage	25	0	0	0	0	0
Computer Software & Equipment	To maintain IT services	90	0	60	55	40	230
Hitchin Swim Centre	Replacement of Domestic Hot Water Calorifer	25	0	0	0	0	0
Lairage Multi-storey car park	Cosmetic coating to four stairwells and replacement windows and doors	75	0	0	0	0	0
Newark Close	Road Replacement	65	0	0	0	0	0
North Herts Leisure Centre	Replacement of Sport Hall heating system	30	0	0	0	0	0
Royston Leisure Centre	Solar Thermal Installation	50	0	0	0	0	0
Thomas Bellamy House	Structural and roof enhancements	65	0	0	0	0	0

Asset	Description of future capital expenditure	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 2030/31
Various Parks and Playgrounds	Enhancements	45	10	0	0	0	0
<b>Reprogramming (as at Quarter 2)</b>							
Various off-street car parks	Resurfacing / Lighting	75	0	0	0	0	0
<b>Total</b>		<b>2,224</b>	<b>1,503</b>	<b>1,143</b>	<b>1,188</b>	<b>1,074</b>	<b>3,809</b>

The totals for 2026/27 to 2030/31 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £185k per year for this purpose. For 2021/22 there is a recommendation in the revenue budget that this is increased by £122k for one year, before returning back down to the previous level. This increase will allow a number of proactive maintenance works to be carried out, whilst maintaining provision for reactive works.

#### New Capital Assets

There are also proposals for the following capital expenditure on new capital assets and expenditure on existing assets that is not related to capital maintenance (table 7).

**Table 7**

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
<b>Existing Capital Programme-schemes 20120/21 onwards</b>							
Property acquisition and development	As per property acquisition and development strategy	4,000	4,000	4,000	4,000	0	0
NH Museum and Community Facility	Museum Storage Solution	1,100	0	0	0	0	0
On-Street Parking	Parking Charging, Payment & Management	285	0	0	0	0	0
Walsworth Common Pavilion	New pavilion	0	300	0	0	0	0
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	1,000	0	0	0	0
John Barker Place	Contribution to redevelopment	0	1,096	0	0	0	0
Waste and Recycling	Vehicles	0	0	0	0	4,000	0

Waste and Recycling	Northern Transfer Station	0	0	0	1,600	0	0
<b>New Capital Programme</b>							
Electric Vehicle Charging	Provision of On-Street Electric Vehicle charging	100	0	0	0	0	0
Elections	Polling Booths / Boxes	27	0	0	0	0	0
Off-Street Parking	Parking Machines Upgrade - Contactless Payment Facility Installation	36	20	0	0	0	0
Off-Street Parking	Parking Machines Replacement	0	0	0	0	150	150
<b>Reprogramming (as at Quarter 2)</b>							
Property acquisition and development	As per property acquisition and development strategy	4,000	0	0	0	0	0
Develop housing at market rents	Increase provision of housing at market rents	2,946	0	0	0	0	0
<b>Total</b>		<b>12,494</b>	<b>6,416</b>	<b>4,000</b>	<b>5,600</b>	<b>4,150</b>	<b>150</b>

Below is an estimate of the total capital expenditure to be incurred in the years 2021/22 to 2025/26. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

**Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2021/22 to 2025/26**

Year	£m
2021/22	14.718
2022/23	7.919
2023/24	5.143
2024/25	6.788
2025/26	5.224

A full list of planned future capital expenditure (2021/22 onwards) is provided as Appendix A1. A list of new capital schemes and schemes planned to commence from 2021/22 is provided in Appendix A2.

Where this proposed expenditure does not relate to service delivery, the security, liquidity and yield in relation to this spend has been considered (table 8).

**Table 8**

<b>Asset (or type of asset)</b>	<b>Security</b>	<b>Liquidity</b>	<b>Yield</b>
Residential Property	<p>The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. The focus on developing new properties or converting existing properties to residential will also help to ensure security due to the expected uplift in value. Individual market factors will be considered prior to acquisition.</p> <p>Where retained it is likely that the property will be held through a company. The Council’s interest will therefore be secured via a loan or equity holding. Any loan can be secured against property. Any equity interest does not offer the same security, but it may be required due to HMRC rules on the funding of companies or for another commercial reason.</p>	<p>Property is a medium to long-term asset due to the costs of buying and selling. However, it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.</p>	<p>The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.</p>
Investments in line with the Property Acquisition and Development Strategy (£20m)	<p>As detailed in the Property Acquisition and Development Strategy, the security of investments will be given a high weighting in determining which ones to take forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties. Spreading the total investment over a number of properties will help mitigate the second of these.</p>	<p>Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature. The Property Acquisition and Development Strategy targets those properties that are considered to be more liquid e.g. they have a wider range of tenants and/ or uses.</p>	<p>To reflect the risk of property investment a net surplus of 1-1.5% (above borrowing, administration and acquisition costs) will be targeted as a minimum. Any target surplus will be commensurate with the level of risk.</p>

For these assets, table 9, also details an assessment of the risk of loss. This covers the same factors that have been detailed previously. Where relevant, assets have been grouped together.

**Table 9**

<b>Asset (or type of asset)</b>	<b>Assessment of the risk of loss</b>
Residential Property	This will be fully assessed as part of the business case for the acquisition of any properties.
Investments in line with the Property Acquisition and Development Strategy	This will be fully assessed as part of the business case for the acquisition of any properties.

### **Part 3- Capital balances, receipts and the Capital Financing Requirement (CFR)**

#### **Capital Funding**

The Council forecasts the following additions to its capital receipts (table 10). All the planned disposals are surplus land that is being sold to generate capital receipts. The disposals will also reduce the risks and costs of holding the land. Due to the potential impact on negotiations over disposal values, individual values are not detailed.

**Table 10**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Forecast Receipts (£000)	4,173	11,200	0	Tbc	Tbc	Tbc

The above timing and values are an estimate only. Actual timings will depend on market conditions and time taken for planning permission to be granted (where sales values are subject to planning). The Council will seek to maximise the sales values it can achieve.

As a result of planned expenditure in 2020/21 and future years, the Council forecasts the following use of funding for capital (table 11).

**Table 11**

Funding Source	Brought forward (at 31/3/20)	Forecast expenditure and funding sources (£000)						
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Capital Expenditure		4,008	14,718	7,919	5,143	6,788	5,224	3,959
Less: Set-aside receipts used	5,514	891	4,554	0	0	55	0	0
Less: Capital receipts used	1,941	2,833	4,067	7,342	4,043	104	0	0
Less: Grant funding used		50	813	0	0	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		148	0	307	0	0	0	0
Less: Funding from revenue		0	0	0	0	0	4,000	0
Less: Other Capital Contributions		86	36	270	0	0	0	0
<b>Borrowing requirement</b>		<b>0</b>	<b>5,248</b>	<b>0</b>	<b>1,100</b>	<b>6,629</b>	<b>1,224</b>	<b>3,959</b>

**Definitions:**

Capital receipts- money received from the sale of surplus assets.

Set-aside receipts- previously money generated from the sale of surplus assets was not defined as capital receipt. The residual funding that the Council has (which is mainly from the sale of its housing stock to North Herts Homes) is treated as a set-aside receipt. In essence these are treated in the same way as capital receipts.

The borrowing requirement is the balancing item. It is also known as the Capital Financing Requirement (CFR). This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

**Prudential Indicator 2: Capital Financing Requirement**

<b>Year</b>	<b>£m</b>
As at 31 <sup>st</sup> March 2020 (actual)	-5.6
As at 31 <sup>st</sup> March 2021 (forecast)	-4.7
As at 31 <sup>st</sup> March 2022 (forecast)	5.1
As at 31 <sup>st</sup> March 2023 (forecast)	5.1
As at 31 <sup>st</sup> March 2024 (forecast)	6.2
As at 31 <sup>st</sup> March 2025 (forecast)	12.9

Where the Council has a Capital Financing Requirement (i.e. the borrowing requirement is positive) then it:

- Must make a charge to revenue for a Minimum Revenue Provision.
- Can choose whether to borrow internally or externally.

## Part 4- Borrowing Strategy and Minimum Revenue Provision (MRP)

### Borrowing strategy

#### **Definitions:**

Internal Borrowing- Even when the Council has no capital reserves, it can borrow internally against its revenue balances and reserves. This uses the cash that is available and is different to funding capital from revenue. The Council is still required to have a Minimum Revenue Provision but does not incur any external interest costs. Interest income from investing the revenue balances and reserves would be lost.

External Borrowing- Borrowing from a third party (e.g. Public Works Loans Board, a Local Authority or a financial institution). Interest costs would be incurred, as well as having to make a Minimum Revenue Provision.

Based on Prudential Indicator 2 (page 19) the Council has a Capital Financing Requirement from 2021/22 onwards and therefore does have a need to borrow.

If the Council had a borrowing requirement, then in order to determine whether to borrow internally or externally, it must consider the level of revenue reserves and provisions that it has, and when it expects that these will be spent. Forecasts of the revenue budget give the following estimates (table 12). These totals are also used in determining the cash that it has available for investment.

**Table 12**

Revenue balance	Brought forward (at 31/3/20)	Forecast balance at year end						
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
General Fund <sup>1</sup>	9,378	7,562	6,973	5,527	4,515	4,192	4,846	4,846
Add back MRP	0	0	0	0	0	0	0	0
Revenue Reserves <sup>2</sup>	9,344	9,844	10,344	10,844	11,344	11,844	7,844	7,844
S106 balances	3,741	3,779	3,779	3,779	3,779	3,779	3,779	3,779
Provisions	882	882	882	882	882	882	882	882
Outstanding Debt	423	405	5,635	5,353	6,170	12,494	13,047	12,846
<b>Total</b>	<b>23,768</b>	<b>22,472</b>	<b>27,613</b>	<b>26,385</b>	<b>26,690</b>	<b>33,191</b>	<b>30,398</b>	<b>30,197</b>

1 Based on General Fund forecasts as per 'Revenue Budget 2021/22' report.

2 Revenue Reserve balance as at 31/3/20. Then increases in line with contributions to waste vehicle reserve at £500k per year for 7 years. At end of 7 years assumed that this funding will be used to fund new waste vehicles. For simplicity this ignores some of the fluctuations in reserve balances that are detailed in the 'Revenue Budget 2021/22' report.

MRP is added back as it is not an outflow of cash and can be used for internal borrowing. The cash outflow happens when the borrowing is repaid. As explained in the Revenue Budget report, MRP has not been reflected in the revenue budgets so there is not a need to add it back.

As well as the availability of revenue funding, the Council would also need to consider the advantages and disadvantages of external borrowing. Interest rates are at very low levels and may stay at the current level for some time. Even if the Bank of England base rate went to zero or negative, it seems unlikely that Council borrowing rates would fall any further. There has recently

been a reduction in the Public Works Loan Board (PWLB) rates (by 1%) that reverses the increase applied in October 2019. The increase was designed to prevent Councils from using the PWLB for commercial investments and has been replaced by restrictions of when the PLB can be used. So whilst it may not be some time, the cost external borrowing will increase in the future. Whilst unlikely at the moment, it may become possible to generate higher returns from investing revenue reserves than the interest costs that would be saved. However, this has to be balanced against the certainty of interest costs that will be incurred as soon as borrowing is taken out. There is also a need for the Council to retain a certain buffer of revenue reserves as cash to manage the peaks and troughs in its cash balances. Whilst the Council can borrow for short-term cash-flow needs, this can become expensive. Whatever strategy is adopted, it should be prudent.

Without the forecast capital receipts income, the Council's borrowing need would be a lot higher. These receipts are subject to estimates both in terms of value and timing. Given this uncertainty it is considered that the Council should assume that it will need to borrow externally. This will be given further consideration at the time that any borrowing is needed. If the forecast is that the need is more likely to just be for a short period (e.g. there is greater certainty over capital receipts) or there is a clearer indication over future interest rates (e.g. they are not likely to rise) then internal borrowing will be reconsidered. It is also possible that there will not be the need to borrow that is identified if there is slippage on the capital programme.

**Table 13**

	Brought forward (at 31/3/20)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/31)
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	
Total borrowing requirement	423	0	5,248	0	1,100	6,629	1,224	3,959	0
Made up of:									
Internal borrowing	0	0	0	0	0	0	0	0	0
External borrowing	423	0	5,248	0	1,100	6,629	1,224	3,959	12,848

The brought forward borrowing total is made up of historic borrowing that it is not cost effective to pay off. This is because the interest that would be payable over the course of the remaining loan has to be paid upfront instead. The reduction is due to these being loans that are repaid in instalments.

**Definitions:**

Operational Boundary: This is the limit beyond which external debt is not normally expected to exceed.

Authorised Limit: This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

**Prudential Indicator 3: External Debt**

<b>Year</b>	<b>Forecast Borrowing £m</b>	<b>Forecast other long-term liabilities<sup>1</sup> £m</b>	<b>Forecast Total External Debt £m</b>	<b>Operational Boundary £m</b>	<b>Authorised Limit £m</b>
As at 31 <sup>st</sup> March 2020 (Actual)	0.423	2.125	2.548	3.7	9
As at 31 <sup>st</sup> March 2021 (forecast)	0.405	1.622	2.027	3.2	9
As at 31 <sup>st</sup> March 2022 (forecast)	5.635	1.119	6.754	7.9	12
As at 31 <sup>st</sup> March 2023 (forecast)	5.353	0.616	5.969	7.1	11
As at 31 <sup>st</sup> March 2024 (forecast)	6.170	0.113	6.283	7.4	12
As at 31 <sup>st</sup> March 2025 (forecast)	12.460	0	12.460	13.6	18
As at 31 <sup>st</sup> March 2026 (forecast)	13.015	0	13.015	14.2	19

1 Comprises the finance lease relating to Letchworth Multi-storey car park and the impact of the finance lease for waste vehicles.

The external borrowing forecast can be used to give an indication of the borrowing that may be required, which is combined with outstanding existing borrowing (table 14). The Council will also borrow for short-term cash-flow needs if required. The actual borrowing that is taken out will depend on the latest forecasts and the offers that are available at the time that it is required. There will also be a consideration of when any other borrowing becomes due, with the aim of achieving a spread of these dates. This is to try and avoid refinancing risk. The Council is required to set indicators for the maturity structure of its borrowing. Given the low level of borrowing that the Council currently has and is forecast to have, it is considered appropriate to maintain full flexibility as to the exact duration of any borrowing undertaken. This is reflected in the indicators set out as Treasury Indicator 4 below.

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/21 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	08/01/49	80	Oct 2025	5,346	837	3.125	30
	16/09/49	80	Jul 2029	380	41	3.0	1
	10/05/46	80	Jan 2026	10,150	1,520	3.125	54
	12/11/48	80	Jul 2028	13,885	3,061	3.0	100
	18/08/61	60	Jul 2021	13,817	474	7.0	81
	28/07/64	60	Jul 2024	15,801	3,041	6.0	217
	02/03/65	60	Jan 2025	19,558	4,240	6.0	296
	01/10/65	60	Jul 2025	33,976	8,171	6.0	560
	05/07/66	60	Jan 2026	35,000	9,222	6.0	623
	02/08/66	60	Jul 2026	50,000	14,290	6.0	954
	18/03/68	60	Jan 2028	40,000	16,115	7.375	1,283
	03/01/69	60	Jul 2028	53,027	24,048	8.125	2,092
	06/03/70	60	Jan 2030	20,100	10,862	8.75	1,001
	24/11/70	60	Jul 2030	18,714	11,007	9.5	1,095
	26/01/71	60	Jan 2031	25,000	15,397	9.75	1,566
	05/03/71	60	Jan 2031	12,500	7,468	9.25	722
	05/03/71	60	Jan 2031	25,0000	14,941	9.25	1,444
	31/05/46	80	Jan 2026	9,570	1,500	3.125	53
	28/02/47	80	Jan 2027	5,832	936	2.5	26
	18/10/46	80	Jul 2026	1,527	226	2.5	6
	20/02/48	80	Jan 2028	14,952	3,099	3.0	102
	22/09/50	80	Jul 2030	654	177	3.0	6
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	227	3.125	8
	16/09/49	80	Sep 2029	640	158	3.0	5
	20/03/53	80	Mar 2033	1,020	418	4.125	18
	23/10/53	80	Sep 2033	750	299	4.0	9
	20/11/53	80	Sep 2033	420	171	4.0	7
	25/04/52	80	Mar 2032	480	183	4.25	8
	30/01/48	80	Sep 2027	1,560	303	3.0	10
20/09/45	80	Sep 2025	16,690	2,602	3.125	96	
<b>Total</b>					<b>405,034</b>		

**Definitions:**

Refinancing Risk (or Maturity Risk): The risk that if all borrowing becomes due for repayment at the same time that this will be at a time when the costs for taking out new borrowing (refinancing) are very high.

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set relatively high to provide sufficient flexibility to respond to opportunities to repay or take out new debt (if it was required), while remaining within the parameters set by the indicators. Due to the low level of existing borrowing, the under 12 months limits have a broad range to allow for cash-flow borrowing (if it was required).

#### Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

Maturity period	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	50
2 years to 5 years	0	60
5 years to 10 years	0	100
10 years to 20 years	0	100
20 years and above	0	100

The Council does not place any restrictions on where it can borrow from. This is because the Council will hold the money and therefore there is not a risk around the security of the funds. In practice any borrowing is likely to come from the Public Works Loan Board, UK banks, UK building societies and other Local Authorities. All borrowing will be denominated in GBP Sterling. The decision on any borrowing will be made by the Chief Finance Officer and reflect the advice of the Council's treasury advisers.

The Council can enter in to borrowing arrangements at both fixed and variable rates. Variable rate borrowing has a greater risk and so therefore Treasury Indicator 5 limits the amount of borrowing that can be at a variable rate. To aid administration and monitoring, the limits are shown as £ values but are based on percentages of the Operational Boundary. Borrowing at fixed rates can be up to 100% (inclusive) of the Boundary, and variable rate borrowing can be up to 30% of the Boundary.

#### Definitions:

**Fixed Rate:** The rate of interest is set at the point the borrowing is taken out and remains at the same percentage rate for the full term of the loan.

**Variable Rate:** The rate of interest varies during the term of the loan and usually tracks prescribed indicator rate (e.g. Bank of England base rate)

#### Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2020/21	1.6	1.6	0.5
2021/22	6.8	6.8	2.0
2022/23	6.5	6.5	1.9
2023/24	7.3	7.3	2.2
2024/25	13.6	13.6	4.1
2025/26	14.2	14.2	4.3

There is a requirement for the Council to consider the proportionality of the income that it generates from its non-service (investment) assets and how this compares to any borrowing that is linked to those assets. Current and planned investment assets were detailed in table 3 and table 8. Treasury indicator 6 shows the capital value and expected income from these assets, alongside any borrowing that is attached to those assets and the expected cost of that borrowing.

The totals below are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 7% for new investments (2.5% MRP + 2% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 5.5% (2.5% MRP and 2% interest).

**Treasury Indicator 6: Income from investment assets and the costs of associated borrowing**

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2021/22	29.376	1.177	4.6	0.207
2022/23	33.376	1.997	4.6	0.207
2023/24	37.376	2.327	5.7	0.257
2024/25	41.376	2.607	9.7	0.437
2025/26	41.376	2.887	9.7	0.437

The Council would not borrow money in advance of need or at a low rate to try and reinvest that money to earn a higher interest rate, and profit from the margin between the two rates. However, the new waste contract requires the use of vehicles that are provided by the contractor. The Council has taken the view that it receives the risks and rewards of those vehicle assets. Under accounting regulations, it is therefore required to treat this as a finance lease embedded within the contract. This requires the Council to recognise the vehicle assets as belonging to it, alongside a liability. The liability is effectively repaid through the contract sums over the seven years of the contract.

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The change to the PWLB rules also means that this borrowing cannot be accessed if there is any capital spend that is primarily to generate income, even if that spend was intended to be financed from reserves. The capital programme item in respect of housing had previously encompassed the purchase of existing housing. This has been in the capital programme for a few years and is funded from capital receipts, so would not breach the “borrowing in advance of need” rules. However, it could be considered to be in breach of the PWLB borrowing restrictions. The focus of this funding has therefore been changed to cover the development and conversion of new housing. As detailed in the property development and acquisition strategy the primary purpose of the £20m investment is for the

purposes of the Council’s functions or the benefit, improvement or development of the area. Any surplus is necessary to justify this investment but is not the primary purpose.

Minimum Revenue Provision

When the Council has a Capital Financing Requirement (CFR) it is required to make a charge to the General Fund (revenue budget) called a Minimum Revenue Provision (MRP). Subject to guidelines, the Council sets its MRP policy, which is detailed below:

**Minimum Revenue Provision:**

The Council is required to have a Minimum Revenue Provision (MRP) policy, and when required make charges to revenue in accordance with that policy.

The Council will use the asset life method. The MRP amount will be spread over the estimated life of the assets, in accordance with the regulations. The Council will apply one of the two approaches below based on the project(s) that the borrowing is used for and the benefits derived from the project(s).

- Equal instalments – The principal repayment made is the same each year.
- Or
- Annuity – the principal repayments increase over the life of the asset. This has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

The Council will have a need to borrow in 2021/22 if the Capital programme is fully spent and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore, it is considered appropriate to adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.

There is a prudential indicator that compares the net cost of financing (i.e. borrowing costs less income generated from investments) with the net revenue budget of the Council. This will be looked at later in this document after considering investments and their forecast returns. However, the indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

**Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2021/22 to 2025/26**

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2021/22	0.276	15.755	1.75
2022/23	0.275	15.499	1.78
2023/24	0.323	15.448	2.09
2024/25	0.619	15.458	4.00
2025/26	0.67	15.287	4.41

## Part 5- Investment Strategy

Based on the assumptions above the following available investment balances are assumed. This includes a forecast of revenue reserves, capital reserves, capital financing requirement and external borrowing (table 15).

**Table 15**

Balances	Brought forward (at 31/3/20)	Forecast balance at year end (£000)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue balances (including MRP added back)	23,768	22,472	27,613	26,385	26,690	33,191	30,398
Capital Receipts	1,941	213	319	4,164	121	17	17
Capital Grants Unapplied	938	938	225	225	225	225	225
Add: Long-term liabilities <sup>1</sup>	2,125	1,622	1,119	616	113	0	0
Less: Capital Financing Requirement	-5,594	-4,704	5,098	5,094	6,194	12,912	14,136
Less: Borrowing repayments	17	18	18	282	282	339	671
<b>Total forecast of available for investment</b>	<b>34,349</b>	<b>29,931</b>	<b>24,160</b>	<b>26,014</b>	<b>20,673</b>	<b>20,182</b>	<b>15,833</b>

1 The net position of money owed by the Council or to the Council can lead to increased or decreased cash available for investment. The short-term position is assumed to be net zero. Long-term liabilities are included as the expenditure has been assumed to have been incurred, but the cash has not yet been paid. This primarily relates to the waste vehicles.

The Council needs to consider the following in determining how long it will invest any surplus cash for:

- The period that any particular cash balance is available for. If a balance is expected to be available over a long period then it is possible to invest it over a long period.
- How much might be required to cover short term variations in cash. For example, it could be forecast that the cash at the start and end of the month will be the same. But if there is a need to pay out half that cash at the start of the month before getting an equivalent amount just before the end, then there is a need to plan.
- The risk of investing for longer periods as it increases the chance that the counterparty could have financial problems and therefore not pay back the principal invested and/ or the interest due.
- The risk of investing for longer periods as it could lead to a lost opportunity. If the investment is at a fixed rate and then there is a general rise in rates available (e.g. due to an unexpected Bank of England base rate rise) then it would not be possible to take advantage of the new improved rates until the investment matures.

Before considering where the Council will invest any surplus cash in treasury investments, it firstly needs to consider any loans that it may want to make for other purposes. A local authority can choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures. These loans can relate to service provision or to promote local economic growth. These loans may not seem prudent when considered purely in relation to security and liquidity. Table 16 details current and planned loans and shows the reasons for these loans, how their value is proportionate, the risk of loss and credit control arrangements that are in place.

**Table 16**

<b>Loan</b>	<b>Amount</b>	<b>Reason for Loan</b>	<b>Proportionality of value</b>	<b>Expected Credit Loss model and credit control</b>
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/7 <sup>th</sup> of the shares.	Insignificant in the context of overall cash balances. Around 0.4% of total investments.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Tbc, up to £3m	To provide the company with finances to purchase and develop property assets. These properties will then be let or sold to generate income and profit.  It is also possible that any investment could be in the form of equity.	Based on investment limits in table 17 below, it could be the equivalent of one investment in a bank or building society. Also included within treasury limits to ensure diversification in relation to residential property.	Any loan could be secured against the property assets of the company.  An equity investment would provide less security and increase expected credit loss. However, it may enable the company to be more profitable, and therefore increase returns.  Expected credit loss would be looked at in more detail in advance of any investment being granted and linked to the planned use of those funds.

When the Council invests its surplus cash, it seeks to find reliable counterparties to ensure that the amount invested (and the interest earned) is returned. The Council has decided that it is prepared to take on a higher level of risk than recommended by its treasury advisers in relation to unrated Building Societies and the duration of its investments. This risk is mitigated by reviewing published information in relation to unrated Building Societies (i.e. "Pillar 3" reports and reports by accountancy firm KPMG). Whilst the Council has in the past been fairly highly exposed to Building Societies, it has rebalanced this exposure during the last couple of years to make greater use of other investment types.

The following criteria are used to determine the list of counterparties:

- UK Local Authorities- as they are able to raise additional funds from taxation
- UK Government- Debt Management Office provides highly liquid investments at the lowest risk as backed by the UK Government
- UK Banks and Building Societies with a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater- as they have been subject to UK 'stress tests' and also have a high credit rating
- Part-nationalised UK banks- as they have been subject to UK 'stress tests' and the UK government has an increased interest in not allowing them to fail.
- The Council's own banker (Lloyds) that it uses for transactional purposes. Although if its credit rating falls below BBB then any balances will be kept to a minimum (i.e. for cashflow purposes only)
- Non-UK banks with a UK subsidiary that have a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater, and are subject to the same stress tests as UK banks
- Non-UK banks where the Country has a AAA rating and the institution has a AA-and above rating.
- Unrated UK Building Societies- as organisations have to pay to obtain a rating; most Building Societies do not get one. They do produce annual reports known as Pillar 3 reports, and these will be used to assess their credit worthiness. Furthermore the Council will only invest in Building Societies that have assets of at least £300m, which limits the potential exposure.
- Money Market funds that are AAA rated.
- Property funds that hold property within the UK.
- Ultra Short Dated Bond Funds- These funds invest in fixed income instruments with very short maturity dates, usually up to one year. This generally provides better returns than money market funds. Whilst this does introduce some capital risk, this is minimised by the short-term nature of such investments. Where AAA rated.
- Multi-asset Funds- These funds invest in a variety of assets including equities, bonds and cash and are can be spread over a broad range of strategies, styles, sectors and regions. Risk is diversified by the spread of investments held.

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected balance at the end of the year (2021/22)\* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. The limits are shown in table 17 below.

\* This is the balance taken from table 15 above of £24.2m but adjusted for the £3m potential capital investment in residential investment. This is included as the £3m investment and is included within the limits to ensure diversification.

**Table 17**

<b>Investment Type</b>	<b>Maximum amount in that type of investment (£m)</b>	<b>Maximum amount in group (£m)</b>	<b>Maximum amount with any individual counterparty (£m)</b>	<b>Rationale and details</b>
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	5	15% with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit	21	5	3	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 75% with banks in total
Lloyds Current Account		n/a	5	Used for cashflow purposes
Non-UK banks- includes deposits and Certificates of deposit		7	3	AAA Country rating and AA-and above institution rating. Maximum of 10% with any one counterparty. Maximum of 25% in non-UK banks. 75% in banks in total.
UK Building Societies- assets of £300m to £1bn	n/a	17	2	Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £2m. Maximum of 60% with UK Building Societies and Property Funds combined.
UK Building Societies- assets of over £1bn			3	As above, but £3million
Rated UK Building Societies			3	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
Residential Property Investment			3	N/A
UK Property Funds	2		2	Due to long-term nature of investment 10% of 2025/26 year end cash balance to be invested in any one fund or combination of funds. No durational limits.
Money Market Funds	7	n/a	3	AAA rated. Maximum of 25% in MMFs and 10% with any one fund.

Ultra-Short Dated Bond Funds	3		1	AAA rated. Maximum of 10% in USDBFs and £1M with any one fund.
UK Multi-Asset Funds	2		2	Due to long-term nature of investment 10% of 2025/26 year end cash balance to be invested in any one fund or combination of funds. No durational limits.

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater than 1 year (365 days). This limit is based on 40% of total investments but is again reflected as an absolute value of **£11m**, which is based on 40% of the expected level of investments at the end of the year. Investments with a set term of greater than 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 40% of the estimated balance. No investment term will exceed 5 years.

Investment funds (money market funds, multi-asset funds and property funds) do not have a set term and funds can be requested to be withdrawn at any time. Investment balances will be kept under review to ensure that they do not exceed the maximum amount set by this or subsequent treasury strategies. However, there is no time limit on the period that funds can be held invested for. For property funds there are both up-front set up and exit costs. Furthermore, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years. For multi-asset funds, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years

Within the investment market, the opportunity for 'green' investments is starting to emerge. These are offering returns that are similar to, or the same as, non-green alternatives for the same level of risk. Subject to these investments being compliant with other aspects of the treasury strategy, then these investments will be prioritised over non-green alternatives.

In general, the Council will access treasury deals directly, rather than using a cash manager. In the current market, the Council is able to get the same (or very similar) rates as a cash manager and this therefore avoids the fees charged by the cash manager. However, the Council will use a cash manager (Tradition) where it provides access to a better investment rate after accounting for the fees. As the actual investment will be with a counterparty, the Council will not set any limits on the number or value of deals that are accessed via Tradition.

Where the Council makes use of credit ratings these will be assessed immediately prior to placing an investment. The Council then receives alerts whenever ratings change and will monitor these alerts to see if an investment has fallen below the minimum criteria. For fixed term investments, it generally will not be possible to do anything in relation to a rating change. Although for a significant drop, enquiries will be made as to the exit costs involved. If these are not significant then the Council will end the investment early. For open term investments, the Council will seek to disinvest, although it will consider any exit costs.

The Council maintains a treasury risk on its risk register.

There is some link between the interest rates that the Council can expect to achieve on its investments and the Bank of England base rate. Our treasury advisors (Link) have provided the following forecasts of base rates over the next 3years. Using this and the investment limits above, we have estimated an average interest rate that the Council will achieve on its investments in each year.

**Table 18**

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2020/21	0.1	0.1
2021/22	0.1	0.1
2022/23	0.1	0.1
2023/24	0.1	0.1

Combining these average interest rates with expected balances, gives a forecast of the interest that will be earned in each year. However, the Council is planning on investing in longer term Property and Multi-asset funds. By taking on greater liquidity risk, a higher medium-term return could be expected. The table below makes an estimate of £4m invested in these funds and a return of 2%. This will be accompanied by a financial risk as returns are very uncertain, particularly on a short-term basis.

**Table 19**

	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast of average balance available for investment (£m)- short to medium term	23.2	22.0	16.7	16.2	11.9 Forecast
Forecast of average interest earned on investments (%)- short to medium term	0.1	0.1	0.1	0.1	0.1
Forecast of balance available for investment (£m)- longer-term	4	4	4	4	4
Forecast of average interest earned on investments (%)- longer-term	2	2	2	2	2
Forecast of interest earned (£m)*	0.103	0.102	0.097	0.096	0.092
Current interest assumed in the revenue budget.	0.167	0.167	0.167	0.167	0.167

\*Due to current economic uncertainty Interest estimates in the revenue budget are higher than those forecast from multiplying the average balance by forecast interest rates. These will be reassessed each year. For 2021/22 it will be necessary to revise the budget down to £104k (a pressure of £63k.

The Council is required to set a prudential indicator that estimates financing costs (cost of borrowing less income from investments) as a percentage of its net revenue budget.

**Prudential Indicator 8: Forecast of Financing Costs as a percentage of net revenue budget**

<b>Year</b>	<b>Cost of borrowing £m</b>	<b>Less: Forecast of interest earned £m</b>	<b>Net Financing costs £m</b>	<b>Net Revenue Budget £m</b>	<b>Financing Costs as a % of Net Revenue Budget £m</b>
2020/21	0.041	0.185	-0.144	15.889	-0.906
2021/22	0.276	0.103	0.173	15.755	1.098
2022/23	0.275	0.102	0.173	15.499	1.117
2023/24	0.323	0.097	0.226	15.448	1.463
2024/25	0.619	0.096	0.523	15.458	3.382
2025/26	0.674	0.092	0.582	15.287	3.808

## **Part 6- Overall Risk Considerations**

The risk exposures for each of the elements of this strategy are generally independent, and therefore can be considered in isolation.

The Council's investments assets generally comprise of ground leases on commercial properties that are all within North Hertfordshire. The main exception to this is the freehold of the Churchgate Shopping Centre in Hitchin. A property fund generally invests in building (and land) assets that provide higher yields, and also diversifies across the United Kingdom. They also currently tend to focus on industrial, warehouses and office buildings. This means that there is limited cross-over in risk exposure, and before investing in a property fund (current investments are zero) the Council would review the current investments of the selected fund. Furthermore, this strategy limits any investment in a property fund to a maximum of £3m.

The capital programme includes an allocation of £3m for investments in market housing within North Hertfordshire. This will expose the Council to a similar risk to Building Society investments, in that they will both be influenced by the UK housing market. This is part of the rationale for reducing the amounts that can be invested in Building Societies. In general, Building Societies will have a much more diversified risk exposure e.g. by location and number of properties.

## Part 7- Glossary

A number of definitions are included in the strategy when they are first referenced. These are not duplicated here. This part provides list of other terms used in this report, as well as those used in the statutory guidance.

**Borrowing-** a written or oral agreement where the Council temporarily receives cash from a third party (e.g. a Bank, the Public Works Loan Board or another Local Authority) and promises to return it according to the terms of the agreement, normally with interest.

**Investment:** This covers all of the financial assets of the Council as well as other non-financial assets that the Council holds primarily or partially to generate a profit; for example, investment property portfolios. This will include investments that are not managed as part of normal treasury management processes or under treasury management delegations. Furthermore, it also covers loans made by the Council to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes.

Within this strategy, the term investment is used in the following contexts:

- Capital investment- expenditure to acquire or improve a capital asset.
- Investment properties- assets that are held for the purpose of generating an income.
- Cash/ treasury investments- the cash that the Council has, which is made up of revenue reserves, capital reserves and the effects of cashflow timings. These amounts are invested to manage the risks of holding cash and to generate investment income.

**Financial investments:** These are made up of Cash/ Treasury investments and loans. This term is defined within the statutory guidance (as specified investments, loans and unspecified investments) but has not been directly used in this strategy. Part 5 of the Strategy is focused on these investments.

**Specified Investment:** These are essentially short-term Cash/ Treasury investments. To be a specified investment, it needs to meet the following criteria:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- It is not capital expenditure.
- The investment is considered to be high quality or is with the UK Government, another Local Authority or a Parish/ Community Council.

**High Quality investment:** These are investments (specified and non-specified) which are assessed on the priority basis of security, liquidity and yield. Where relevant they make use of relevant additional information, such as credit ratings. The investments set out in part 5 are considered by the Council to be 'high quality'.

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is a long term investment. This means that the local authority has contractual right to repayment in greater than 12 months.
- It is not capital expenditure.

- The investment is considered to be high quality or is with the UK Government, another Local Authority or a Parish/ Community Council.

**Unspecified investment:** In the statutory guidance, these are financial assets that are not specified investments or loans. This creates a circular definition. The Council considers that they meet the following definition:

**Loan:** a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment. The Council will meet the following conditions when providing such loans:

- Total financial exposure to these type of loans is proportionate;
- An allowed “expected credit loss” model has been used as set out in Accounting Standards
- Appropriate credit control arrangements are in place to recover overdue repayments; and
- The total level of loans by type is in accordance with the limits set out in this Strategy.

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Priority	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 - 30/31 Estimate £
<b>Advances &amp; Cash Incentives</b>							
John Barker Place, Hitchin	0	0	1,096,000	0	0	0	0
<b>Advances &amp; Cash Incentives Total</b>	<b>0</b>	<b>0</b>	<b>1,096,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Asset Management</b>							
Access Bury Mead Road	84,000	0	0	0	0	0	0
Acquisition of Property Investments	0	8,000,000	4,000,000	4,000,000	4,000,000	0	0
Alteration & improvement to underground drainage at Coombes Community Centre	0	25,000	0	0	0	0	0
Council Chamber Lay Out	21,000	0	0	0	0	0	0
Council property improvements following condition surveys	472,200	255,000	0	0	0	0	0
Energy efficiency measures	8,500	0	0	0	0	0	0
Land Purchase Adj Grange CC	20,000	0	0	0	0	0	0
Provide housing at market rents	30,000	2,946,700	0	0	0	0	0
Replacement of Newark Close, Royston.	0	65,000	0	0	0	0	0
Thomas Bellamy House, Hitchin	0	65,000	0	0	0	0	0
<b>Asset Management Total</b>	<b>635,700</b>	<b>11,356,700</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>0</b>	<b>0</b>
<b>Community Services</b>							
Baldock Town Hall project	48,800	0	0	0	0	0	0
Refurbishment and improvement of community facilities	522,900	0	0	0	0	0	0
S106 Projects	128,800	0	0	0	0	0	0
<b>Community Services Total</b>	<b>700,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Computer Software and Equipment</b>							
40 KVA UPS Device or Battery Replacement	7,000	11,000	0	12,000	0	14,000	16,000
Additional PC's - Support Home Working/OAP	11,000	0	0	0	0	0	0
Alternative to safeword tokens for staff/members working remotely	16,000	0	12,000	0	18,000	0	33,000
Back-up Diesel 40 KVA Generator (DCO)	0	0	0	25,000	0	0	0
Cabinet Switches - 4 Floors	0	18,000	0	0	18,000	0	18,000
Cadcorp Local Knowledge & Notice Board Software	5,400	0	0	0	0	0	0
CCTV at DCO & Hitchin Town Hall	15,000	0	0	15,000	0	0	0
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	0	35,000	0	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution	30,000	0	0	0	0	0	0
Data Switch upgrade	0	0	15,000	0	18,000	0	41,000
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	0	0	0	55,000	0	0	60,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	39,000	0	0	0	0	0	0
Email Encryption Software Solution	45,000	0	0	0	0	0	0
Infrastructure Hardware	284,600	0	28,000	0	278,000	25,000	348,000
Laptop Purchases for Officers	0	55,000	0	0	55,000	0	110,000
Laptops - Refresh Programme	109,600	30,000	7,000	7,000	80,000	5,000	70,000
Member Laptops - Refresh Programme	0	0	0	60,000	0	0	120,000
Microsoft Enterprise Software Assurance	0	0	390,000	0	0	426,000	462,000
PC's - Refresh Programme	30,500	13,000	8,000	7,000	13,000	7,000	34,000
Security - Firewalls	14,000	0	14,000	0	16,000	0	36,000
Tablets - Android Devices	12,900	15,000	18,000	12,000	17,000	17,000	56,000
Voice Recorders Careline	28,500	0	0	0	0	0	0
WiFi Upgrade	0	0	0	0	0	40,000	0
WiFi Upgrades for DCO & Hitchin Town Hall	35,000	0	0	0	0	0	0
<b>Computer Software and Equipment Total</b>	<b>683,500</b>	<b>177,000</b>	<b>492,000</b>	<b>193,000</b>	<b>513,000</b>	<b>534,000</b>	<b>1,404,000</b>
<b>Corporate Projects</b>							
Elections Equipment	0	27,000	0	0	0	0	0
Telephony system	10,600	0	0	0	0	0	0
<b>Corporate Projects Total</b>	<b>10,600</b>	<b>27,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Growth Fund Projects</b>							
Cycle Strategy implementation (GAF)	0	278,000	0	0	0	0	0
Green Infrastructure implementation (GAF)	0	185,000	0	0	0	0	0
Transport Plans implementation (GAF)	0	250,000	0	0	0	0	0
<b>Growth Fund Projects Total</b>	<b>0</b>	<b>713,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Leisure Facilities</b>							
Allotments Water Supply Improvements	0	0	10,000	0	0	0	0
Avenue Park Splash Park	0	0	0	70,000	0	0	0
Bancroft & Priory Splash Pads	0	0	0	0	35,000	0	0
Bancroft Lighting	0	0	0	45,000	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	19,400	0	0	0	0	0	0
Decommissioning of Play Areas	5,000	0	0	0	0	0	0
Football Goal Replacement Programme	0	0	15,000	0	0	0	0
Great Ashby District Park safety and security	0	20,000	0	0	0	0	0
Howard Gardens Splashpad	0	0	35,000	0	0	0	0
HSC Boiler Replacement	0	0	0	0	200,000	0	0
HSC Future Refurbishment	0	0	0	0	0	300,000	605,000
HSC Outdoor Pool Boiler Replacement	40,000	0	0	40,000	0	0	0
HSC Reception Toilet Refurbishment	0	0	30,000	0	0	0	0
Ickneild Way Cemetery Footpaths	0	50,000	0	0	0	0	0
Ivel Springs Footpaths	0	0	10,000	0	0	0	0
Leisure Condition Survey Enhancements	87,000	0	0	107,000	0	0	0

	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 - 30/31 Estimate £
<b>Priority</b>							
Letchworth Outdoor Pool Boiler Replacement	40,000	0	0	40,000	0	0	0
Mrs Howard Hall Replacement Boiler & Windows	63,000	0	0	0	0	0	0
Newmarket Road Royston Skatepark & Access	0	0	0	90,000	0	0	0
NHLC Boiler Replacement	0	0	200,000	0	0	0	0
NHLC Dryside Changing Area	0	0	100,000	0	0	0	0
NHLC Interactive Water Feature	0	0	0	0	0	0	120,000
NHLC Pool Flume Replacement	0	0	0	0	0	0	150,000
NHLC Reception Toilet Refurbishment	0	0	30,000	0	0	0	0
NHLC Refurbish Gym Floor	0	50,000	0	0	0	0	0
NHLC Refurbishment of Gym Members Changing Rooms	200,000	0	0	0	0	0	0
NHLC Replace Circulation Pipework	58,700	0	0	0	0	0	0
NHLC Replacement of Sport Hall heating system	0	30,000	0	0	0	0	0
NHLC Sauna Steam Refurbishment	0	0	0	250,000	0	0	0
Norton Common Footpaths	0	0	0	10,000	0	0	0
Norton Common Wheeled Sports improvements	7,100	0	0	0	0	0	0
Oughtonhead Common Footpaths	0	0	0	20,000	0	0	0
Park Recycling Litter Bins	0	25,000	0	0	0	0	0
Playground Renovation District Wide	0	180,000	180,000	180,000	180,000	180,000	900,000
Ramsoms Rec Footpaths, Gates and Railing	0	0	10,000	20,000	0	0	0
Renovate play area Howard Park, Letchworth	75,000	0	0	0	0	0	0
Renovate play area King George V Recreation Ground, Hitchin	800	0	0	0	0	0	0
Renovate play area, District Park, Gt. Ashby	800	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	10,000	0	0	0	0	0	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	10,000	0	0	0	0	0	0
Replacement of Domestic Hot Water Calorifer at HSC	0	25,000	0	0	0	0	0
RLC Changing Village Refurbishment	0	0	225,000	0	0	0	0
RLC Dry Side Toilet Refurbishment	0	0	30,000	0	0	0	0
RLC Future Refurbishment	0	0	0	0	0	0	300,000
RLC Members Change Refurbishment	0	0	0	0	150,000	0	0
Royston Leisure Centre extension	0	0	1,000,000	0	0	0	0
Solar Thermal Installation at Royston Leisure Centre	0	50,000	0	0	0	0	0
St Johns Cemetery Footpath	10,000	0	0	0	40,000	0	0
Walsworth Common Pavilion - contribution to scheme	0	0	300,000	0	0	0	0
Walsworth Common Pitch Improvements	18,900	0	0	0	0	0	0
Weston Hills LNR Footpath Renovation	0	0	20,000	0	0	0	0
Wilbury Hills Cemetery Footpaths	10,000	10,000	0	10,000	10,000	0	30,000
<b>Leisure Facilities Total</b>	<b>655,700</b>	<b>440,000</b>	<b>2,195,000</b>	<b>882,000</b>	<b>615,000</b>	<b>480,000</b>	<b>2,105,000</b>
<b>Museum &amp; Arts</b>							
Hitchin Town Hall Additional Bar & Glassware Infrastructure	25,000	0	0	0	0	0	0
Hitchin Town Hall Sprung Floor Replacement	75,000	0	0	0	0	0	0
Museum Storage Solution	100,000	1,100,000	0	0	0	0	0
NH Museum & Community Facility	48,300	0	0	0	0	0	0
NH Museum Platform Lift Solutions	40,000	0	0	0	0	0	0
<b>Museum &amp; Arts Total</b>	<b>288,300</b>	<b>1,100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Parking</b>							
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	0	75,000	0	0	0	0	0
Installation of trial on-street charging (GAF)	0	50,000	0	0	0	0	0
Lairage Multi-Storey Car Park - Structural wall repairs	10,000	110,700	0	0	0	0	0
Letchworth Multi-Storey Car Park - parapet walls, soffit & decoration	133,800	0	0	0	0	0	0
Letchworth Multi-Storey car park - lighting	18,000	0	0	0	0	0	0
Match funding for Electric Vehicle charging	0	100,000	0	0	0	0	0
Off Street Car Parks resurfacing and enhancement	15,000	178,000	56,100	8,000	0	0	0
Parking Charging, Payments & Management	0	235,000	0	0	0	0	0
Parking Machines Replacement	0	0	0	0	0	150,000	150,000
Parking Machines Upgrade - Contactless Payment Facility Installation	38,000	36,000	20,000	0	0	0	0
Refurbishment of lifts at Lairage Car Park	359,300	0	0	0	0	0	0
Replace and enhance lighting at St Mary's Car Park	0	60,000	0	0	0	0	0
Resurface Lairage Car Park	350,000	0	0	0	0	0	0
<b>Parking Total</b>	<b>924,100</b>	<b>844,700</b>	<b>76,100</b>	<b>8,000</b>	<b>0</b>	<b>150,000</b>	<b>150,000</b>
<b>Renovation &amp; Reinstatement Grant Expenditure</b>							
Mandatory Disabled Facility Grants	50,000	0	0	0	0	0	0
Private Sector Grants	60,000	60,000	60,000	60,000	60,000	60,000	300,000
<b>Renovation &amp; Reinstatement Grant Expenditure Total</b>	<b>110,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>300,000</b>
<b>Waste collection</b>							
Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	0	0	0	0	1,600,000	0	0
Waste and Street Cleansing Vehicles	0	0	0	0	0	4,000,000	0
<b>Waste collection Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,600,000</b>	<b>4,000,000</b>	<b>0</b>
<b>Grand Total</b>	<b>4,008,400</b>	<b>14,718,400</b>	<b>7,919,100</b>	<b>5,143,000</b>	<b>6,788,000</b>	<b>5,224,000</b>	<b>3,959,000</b>

**CAPITAL INVESTMENT PROPOSALS**

Ref No	Responsible Service Director	Description of Proposal	Total Project Investment 2021/22 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment 2026 - 2031	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Asset Management and Investment</b>												
NCP1	Service Director - Commercialisation	Alteration & improvement to underground drainage at Coombes Community Centre, Royston.	25	-	25	0	0	0	0	0	0	To make improvements and alterations to the underground drainage at the Coombes Community Centre as it is inadequate which is causing ongoing issues to the building's occupation, including sewage water flooding, toilets not operating effectively and associated health and safety risks.
NCP2	Service Director - Commercialisation	Replacement of Newark Close, Royston.	65	-	65	0	0	0	0	0	-3	Newark Close is owned by NHDC. It is not adopted public highway. It provides vehicle and pedestrian access to several of NHDC's investment property tenants, their under-tenants, customers and the public. The road is in poor and hazardous condition with pot holes, cracks and unevenness. Wholesale replacement of the road, including surface and sub-surface, is now required to maintain safe access.
NCP3	Service Director - Commercialisation	Thomas Bellamy House, Hitchin	65	-	65	0	0	0	0	0	-18	NHDC owns the freehold in Thomas Bellamy House. Several essential items of work to the structure and roof are required to improve the building's fabric and condition. Such work will arrest further deterioration and place the building in a condition whereby it has a realistic prospect of securing tenants and a commercial rental income stream for the Council. Further, by securing tenants, NHDC can pass on some or all of its property holding costs of the building to those tenants in the form of a lease or other occupational agreement.
ECP1	Service Director - Commercialisation	Acquisition of Property Investments	20,000	-	8,000	4,000	4,000	4,000	0	0	tbc	Acquisition of property and investments in line with the Commercial Strategy and the Property Investment Strategy to seek revenue and/or capital returns and growth for NHDC.
ECP2	Service Director - Commercialisation	Provide housing at market rents	2,947	-	2,947	-	-	-	0	0	tbc	This project follows on from the revenue investment proposal that explores the feasibility. This is an "invest to earn" proposal to utilise NHDC capital and land to generate revenue income. Under this scheme, the land and properties would remain in NHDC ownership. Phase 1 (as dealt with by the revenue investment bid): form investment mechanism to own houses built for market rent. Phase 2: identify appropriate partnership model to achieve build and/or purchase. Phase 3: contract with a property management company. Phase 4: acquire/build properties. Phase 5 (beyond scope of this bid): identify other sites where this model could be applied.
ECP3	Service Director - Resources	Council property improvements following condition surveys	255	-	255	0	0	0	0	0	0	Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to 29 of those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs. The level of 'backlog' maintenance is also proposed as a national performance indicator by Central Government. An amount of £150k was approved to undertake the urgent works in 2014/15, based upon surveys carried out to date. In following years a full 5 year programme will be applied, based upon completed condition surveys or the whole estate. this is complementary to the Community Halls strategy (CHS), although covers a larger number of properties than those subject to CHS, i.e., it puts in place funds to allow works to be done that may assist in progressing that strategy (e.g. full repairing/partial repair leases). To help ensure that this project is delivered in the timeframe estimated within the Capital Programme, the investment was allotted over three years with an annual capital allocation of £255k from 2019/20.
<b>Sub-Total: Asset Management and Investment</b>			<b>23,357</b>	<b>-</b>	<b>11,357</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>-</b>	<b>-</b>	<b>21</b>	
<b>Corporate Items</b>												
NCP4	Service Director - Legal & Community	Elections equipment	27	-	27	-	0	0	0	0	0	Replacement of polling booths and ballot boxes. The current polling booths are wooden, heavy to manoeuvre and have to be assessed for any required repairs prior to each election, due to their condition and age. These have been in use for a number of years and given the volume of elections scheduled in 2021, it is an opportune time to replace some of these booths with a much lighter product. The current wooden booths provide for one voting pod, whereas the new booths provide for two voting pods. This means that the number of booths needing to be delivered to each station will be reduced. The booths are currently delivered by a removal company – going forward, once all booths have been replaced will enable alternative delivery methods to be considered (i.e. Presiding Officer to collect the polling booth required at the same time as the ballot box). The current plastic ballot boxes are difficult to secure as some are warped. Ballot boxes must be secured by 7am on the day of poll. Those to be purchased are a foldable design, meaning that less storage space is required, and also have handles, making them easier to carry.

**CAPITAL INVESTMENT PROPOSALS**

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Sub-Total: Corporate Items</b>			27	-	27	-	-	-	-	-	-	
<b>Grants to Third Parties</b>												
ECP4	Service Director - Regulatory	Private Sector Grants	600	-	60	60	60	60	60	300	0	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAG funding is also used to support the Warm Homes Fund project where homes without central heating are provided with gas central heating. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold. In February 2015 Council approved an increase in the level of funding from £35k to £60k per annum for 2015/16 and future years.  UPDATE CBP 21/22: Proposed to extend annual investment across the period of the ten year investment strategy (earmarked until 2029/30 in current programme)
ECP5	Service Director - Regulatory	John Barker Place, Hitchin	1,096	270	0	1,096	0	0	0	0	0	Cabinet agreed to the commitment to the John Barker Place regeneration scheme in January 2013, subject to the availability of funds. The capital resource required is now earmarked in 2022/23, in line with the scheme timetable.
<b>Sub-Total: Grants to Third Parties</b>			1,696	270	60	1,156	60	60	60	300	-	
<b>Externally financed projects</b>												
ECP6	Service Director - Regulatory	Cycle Strategy implementation (GAF)	278	278	278	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
ECP7	Service Director - Regulatory	Installation of trial on-street charging (GAF)	50	50	50	0	0	0	0	0	0	It is anticipated that this funding will be spent in line with the parking strategy.
ECP8	Service Director - Regulatory	Transport Plans implementation (GAF)	250	250	250	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
ECP9	Service Director - Regulatory	Green Infrastructure implementation (GAF)	185	185	185	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
<b>Sub-Total: Externally financed projects</b>			763	763	763	-	-	-	-	-	-	
<b>Parking Related Proposals</b>												

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**CAPITAL INVESTMENT PROPOSALS**

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
NCP5	Service Director - Regulatory	Parking Machines Upgrade - Contactless Payment Facility Installation	56	43	36	20	0	0	0	0	0	0	The upgrade of the current chip and pin card readers in the parking machines to include contactless payments, mostly financed from uncommitted GAF funding, is required for PCI compliance. This will also allow maximum flexibility for the customer, as it is anticipated that the use of coins will further reduce, and help to mitigate the risk of theft and vandalism to the machines as less cash will be retained in the machines. The proposed plan is for delivery in two tranches. Tranche 1: Upgrade 24 Coin and Chip & Pin (Card Reader Machines) to contactless in order to be PCI compliant, plus 2 chip & Pin Machines to contactless only (note the coin option remains unchanged in the 24 machines). In October 2020 a £38k capital allocation, fully financed using GAF funding, was approved by the Executive Member Finance & IT for this tranche to be completed in 2020/21. Tranche 2: Upgrade of remaining 26 coin parking machines to include contactless to be rolled out over a 2 year programme from 2021/22.
NCP6	Service Director - Regulatory	Parking Machines Replacement	300	-	0	0	0	0	150	150	0	0	Replacement of all parking machines over a 2 year period, with the roll out commencing in late 2025/26 . Please note that this is as estimated cost based on the current full replacement cost of a machine taken from the ESPO framework adjusted for inflation. The type of machine replacement would be dependent on the latest technology and this estimate may need to be reviewed nearer the time.
NCP7	Service Director - Resources	Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors.	75	-	75	0	0	0	0	0	0	0	The current stair wells are aesthetically unsightly uncoated concrete, which are difficult to keep clean and stain. At least two of the four stairwells suffer anti-social behaviour, and this compounds the staining and cleaning requirements. The proposed coating will improve the appearance and make cleaning the stairwells less onerous. Replacement of windows and doors where required.
NCP8	Service Director - Regulatory	Match funding for Electric Vehicle charging	100	-	100	0	0	0	0	0	0	0	On the basis that the Council can obtain Government funding for the provision of on-street EV charging.
ECP10	Service Director - Regulatory	Lairage Multi-Storey Car Park - Structural wall repairs	111	-	111	0	0	0	0	0	0	0	Works to preserve this income generating asset in usable condition. Works necessary to protect surface following experience at Letchworth multi-storey.
ECP11	Service Director - Regulatory	Replace and enhance lighting at St Mary's Car Park	60	-	60	0	0	0	0	0	0	0	The existing lighting columns within the car park have suffered from ongoing electrical supply problems and structural decay. A temporary solution has been provided to provide lighting, however the existing columns need replacing. The lighting in the remainder of the car park is not to current recommended levels. This scheme will address all of these issues with new, energy efficient, lighting columns.
ECP12	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	242	-	178	56	8	0	0	0	0	0	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable.  UPDATE CBP 2021/22: Proposed additional capital allocations of £163k in 2021/22, £9k (increase to original allocation of £47k) in 2022/23 and £8k in 2023/24 based on findings of most recent car park condition surveys undertaken.
ECP13	Service Director - Regulatory	Parking Charging, Payments & Management	235	-	235	0	0	0	0	0	0	0	Revision in scope of existing capital allocation for the implementation of town centre pay & display machines for on-street parking. With the advance of technology it is considered that the use of physical machines and tickets is outdated. As such, this proposal seeks to utilise the capital allocation to still focus on charging, payment and management of parking but through more customer orientated systems. This proposal will encompass (where appropriate) a move to virtual payment and permits/tickets, pay-on-exit for car parks as identified within the Council's Parking Strategy.
<b>Sub-Total: Parking</b>			<b>1,179</b>	<b>43</b>	<b>795</b>	<b>76</b>	<b>8</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>-</b>		
<b>Waste Collection</b>													

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP14	Service Director - Place	Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	1,600	-	0	0	0	1,600	0	0	0	Herts County Council are planning to build a waste and recycling transfer station which could accommodate both North and East Herts Councils residual, food and garden waste. This would enable surety on a long term disposal route for the materials. The anticipated build cost for this element of the site is circa 1.6m. The agreement for the site and confirmation on whether this is going ahead however is tbc.
ECP15	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	4,000	3,200	0	0	0	0	4,000	0	0	It is anticipated that the cost of replacing the current fleet of vehicles will have increased due to inflation by the time of required purchase in 2025/26. The vehicles currently in operation are held on the Council's balance sheet under a finance lease arrangement embedded within the waste contract, with the associated charge for their use met from the Council's cash reserves rather than the General Fund. As such the annual saving to the General Fund is transferred to an earmarked reserve with the intention that this will be used to help finance the cost of the new vehicles.
<b>Sub-Total: Waste Collection</b>			<b>5,600</b>	<b>3,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,600</b>	<b>4,000</b>	<b>-</b>	<b>-</b>	
<b>Leisure Related Proposals</b>												
ECP16	Service Director - Place	Leisure Condition Survey Enhancements	107	-	0	0	107	0	0	0	0	A physical condition survey was carried out at all four leisure facilities in 2018. The survey identified all works that were needed and/ or would become necessary over the following five year period. This totalled £266k, with £87k in the capital programme for 2020/21, and the balance of £179k across the years 2022/23 and 2023/24.  UPDATES CBP 2021/22: Original £39k allocation removed in 2022/23, which condition survey highlighted as required for HSC boiler replacements, as boiler replacements are provided for under schemes ECP14 and ECP15. £140k earmarked in 2023/24 reduced to £107k as certain works identified have either been completed by SLL (funded from profit share) or are separately itemised within the capital programme.
<b>Sub-Total: Leisure</b>			<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Leisure - Hitchin Swim Centre</b>												
NCP9	Service Director - Place	Replacement of Domestic Hot Water Calorifer at HSC	25	-	25	0	0	0	0	0	0	Existing calorifier is in poor condition resulting in leaks and calcification. Proposed to replace with modern plate heat exchange to ensure efficiency and reduce energy consumption and costs.
ECP17	Service Director - Place	Hitchin Swim Centre Reception Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
ECP18	Service Director - Place	Hitchin Swim Centre Outdoor Pool Boiler Replacement	40	-	0	0	40	0	0	0	0	Hitchin outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.
ECP19	Service Director - Place	HSC: Boiler Replacement	200	-	0	0	0	200	0	0	0	Boilers are 15+ years old and are at the end of their economic lifespan. While repair works are carried out on a regular basis there is a risk that, if they are not replaced, they may fail which could result in pool closure.
ECP20	Service Director - Place	Hitchin Swim Centre Indoor Pool Cover	-	-	0	0	0	0	0	0	0	The indoor Pool cover and electric roller is over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs.  UPDATE CBP 21/22: This project was agreed under a profit share proposal and SLL have confirmed they are placing the order. £20k allocation earmarked in 2021/22 can therefore be removed.
ECP21	Service Director - Place	HSC: Archers Member Change and Relaxation Area Refurbishment	300	-	0	0	0	0	300	0	0	Refurbishment of the changing rooms and relaxation areas at Archers Health and Fitness Club to ensure customer satisfaction is maintained.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP22	Service Director - Place	HSC: Change Village Refurbishment	225	-	0	0	0	0	0	225	0	Investment earmarked in 2026/27. Full refurbishment of the change village, which has not been refurbished since 2005.
ECP23	Service Director - Place	HSC: Outdoor Pool Cover Replacement	30	-	0	0	0	0	0	30	0	The outdoor pool covers are over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs.
ECP24	Service Director - Place	HSC: Fitness Equipment Replacement	300	-	0	0	0	0	0	300	0	Investment earmarked in 2026/27. Replacement of the cardio and resistance fitness equipment to maintain membership levels and ensure customer satisfaction.
ECP25	Service Director - Place	HSC: Fitness Facility Refurbishment	50	-	0	0	0	0	0	50	0	Investment earmarked in 2026/27. Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment
<b>Sub-Total: Leisure - Hitchin Swim Centre</b>			<b>1,200</b>	<b>-</b>	<b>25</b>	<b>30</b>	<b>40</b>	<b>200</b>	<b>300</b>	<b>605</b>	<b>-</b>	
<b>Leisure - Letchworth</b>												
NCP10	Service Director - Place	NHLC Replacement of Sport Hall heating system	30	-	30	0	0	0	0	0	0	The heating system in the sports hall is over 15 years old and at the end of its economic life. It is currently out of order and cannot be repaired, therefore replacement is required.
ECP26	Service Director - Place	NHLC Refurbish Gym Floor	50	-	50	0	0	0	0	0	0	The gym floor was laid in 2006, after 13 years the floor has now come to the stage where it can no longer be repaired and requires replacing. To ensure customer satisfaction is maintained a full replacement of the flooring in the main gym and weights area is proposed.
ECP27	Service Director - Place	NHLC Boiler Replacement	200	-	0	200	0	0	0	0	0	The two boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk if they are not replaced they may fail which could result in a closure.  UPDATE CBP 21/22: The installation of a Combined Heat Power (CHP) unit in 2020 has reduced pressure on the boilers. Officers will review the Capital replacement project on an annual basis. Proposed to defer £200k capital allocation in 2021/22 to 2022/23.
ECP28	Service Director - Place	NHLC Reception Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
ECP29	Service Director - Place	NHLC Dryside Changing Area	100	-	0	100	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side changing areas is proposed.
ECP30	Service Director - Place	NHLC: Sauna Steam Refurbishment	250	-	0	0	250	0	0	0	0	The steam and sauna area was last refurbished in 2006. To ensure customer satisfaction is maintained a proposal to fully refurbish the area is proposed.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP31	Service Director - Place	NHLC: Interactive Water Feature	120	-	0	0	0	0	0	120	0	Investment proposal earmarked for 2027/28. To ensure continued improvements and customer satisfaction within our leisure facilities a project to transform the small pool into a highly interactive water play area for children of all age and ability groups is proposed. The proposed features for this area allow children to explore and discover their watery environment, and teaches them how to manipulate the flow of water through channels and interactive jets.
ECP32	Service Director - Place	NHLC: Pool Flume Replacement	150	-	0	0	0	0	0	150	0	Investment proposal earmarked for 2028/29. The pool flume was installed in 1992 and due to its age a proposal to replace the flume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool.
ECP33	Service Director - Place	Letchworth Outdoor Pool Boiler Replacement	40	-	0	0	40	0	0	0	0	Letchworth outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.
<b>Sub-Total: Leisure - Letchworth</b>			<b>970</b>	<b>-</b>	<b>80</b>	<b>330</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>-</b>	
<b>Leisure - Royston Leisure Centre</b>												
NCP11	Service Director - Place	Solar Thermal Installation at Royston Leisure Centre	50	-	50	-	0	0	0	0	0	Solar thermal technology can be utilised to heat the pool water, reducing the site's carbon footprint and facilitate utility savings.
ECP34	Service Director - Place	Royston Leisure Centre extension	1,000	170	0	1,000	0	0	0	0	0	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council.
ECP35	Service Director - Place	Royston Leisure Centre Dry Side Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.
ECP36	Service Director - Place	Royston Leisure Centre Changing Village Refurbishment	225	-	0	225	0	0	0	0	0	The change village is over 17 years old and has not been refurbished since opening in 2005. A full refurbishment of the change village is proposed to ensure customer satisfaction is maintained.
ECP37	Service Director - Place	RLC: Members Change Refurbishment	150	-	0	0	0	150	0	0	0	The members changing room is over 17 years old and has not refurbished since opening in 2005. To ensure customer satisfaction is maintained a proposal to fully refurbish the male, female and disabled areas is proposed.
ECP38	Service Director - Place	RLC: Pool Hall Window Replacement	-	-	0	0	0	0	0	0	0	The pool hall windows are corroding due to age and corrosive atmosphere. A full replacement of windows is proposed.  UPDATE CBP 2021/22: Remove original £80k allocation in 2025/26 as windows have been repaired. Carried out during closure period.
ECP39	Service Director - Place	RLC: Fitness Facility Refurbishment	50	-	0	0	0	0	0	50	0	Investment earmarked in 2026/27. Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP40	Service Director - Place	RLC: Boiler Replacement	100	-	0	0	0	0	0	100	0	Investment earmarked in 2026/27. Boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk that, if they are not replaced, they may fail which could result in a closure.
ECP41	Service Director - Place	RLC: Fitness Equipment Replacement	150	-	0	0	0	0	0	150	0	Investment earmarked in 2026/27. Replacement of the cardio and resistance fitness equipment to maintain membership levels and customer satisfaction.
<b>Sub-Total: Leisure - Royston Leisure Centre</b>			<b>1,755</b>	<b>170</b>	<b>50</b>	<b>1,255</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>300</b>	<b>-</b>	
<b>Green Space Developments</b>												
NCP12	Service Director - Place	Park Recycling Litter Bins	25	-	25	0	0	0	0	0	0	Introduction of recycling litter bins into the town centre parks to increase the opportunities for recycling
NCP13	Service Director - Place	Allotments Water Supply Improvements	10	-	0	10	0	0	0	0	0	Improve water supply to NHDC allotments through the installation of additional taps and increasing the water pressure at every tap. Any increase in ongoing maintenance and water supply costs is anticipated to be marginal.
ECP42	Service Director - Place	Football Goal Replacement Programme	15	-	0	15	0	0	0	0	0	The existing football goals do not meet current FA standards and are in some cases dangerous due to corrosion or misuse. While the posts are repainted annually this only delays their deterioration. Normally posts are replaced at the beginning of the season on a need only basis based upon their condition - not if they meet FA standards.
ECP43	Service Director - Place	Playground Renovation District Wide	1,800	-	180	180	180	180	180	900	0	Moving forward from the existing policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This technically would ensure that each play area is renovated on an 18 year cycle which still far exceeds manufacturer lifespan guidelines.  UPDATE CBP 2021/22: £180k investment allocation earmarked in 2030/31.
<b>Sub-Total: Green Space Developments</b>			<b>1,850</b>	<b>-</b>	<b>205</b>	<b>205</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>900</b>	<b>-</b>	
<b>Green Space Developments - Baldock</b>												
ECP44	Service Director - Place	Avenue Park Splash Pad	70	-	0	0	70	0	0	0	0	To replace the existing mains fed system with a recirculating system as found at our other splashpads. This will reduce water usage and help maintain good levels of water quality. Additionally this will help reduce the problems of algae on the surfacing which has caused significant injuries due to slipping in the past.
ECP45	Service Director - Place	Ivel Springs Footpaths	10	-	0	10	0	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
ECP46	Service Director - Place	Weston Hills LNR Footpath Renovation	20	-	0	20	0	0	0	0	0	Many of the footpaths around the site are of an informal nature and are not currently compliant with disability access requirements. In order to minimise erosion of the existing footpath network the surfacing needs updating and renovating.
<b>Sub-Total: Green Space Developments - Baldock</b>			<b>100</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Green Space Developments - Great Ashby</b>												

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP14	Service Director - Place	Great Ashby District Park safety and security	20	-	20	0	0	0	0	0	0	To address ongoing anti-social behaviour issues within the park, installation of electric power supply to power automatic gate (adapt existing solar powered gate) and provide lighting in the car park.
<b>Sub-Total: Green Space Developments - Great Ashby</b>			<b>20</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
<b>Green Space Developments - Hitchin</b>													
ECP47	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	300	287	0	300	0	0	0	0	0	0	This project was originally listed as a project for 2016/17 in the Council's adopted Green Space Management Strategy 2014 - 2019. The project was slipped into 2017/18 pending the outcome of the Green Space Strategy review. Following the review, this project is now earmarked for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. The project is dependent on securing section 106 contributions and/or external grants. In the review, the pavilion was identified as being beyond economic repair.  UPDATE CBP 2021/22: Proposed to defer £300k allocation in 2021/22 to 2022/23.
ECP48	Service Director - Place	Bancroft and Priory Splash Pads	35	-	0	0	0	35	0	0	0	0	These two systems were introduced 4 years ago and use the same systems to maintain water quality. Over time the systems wear and require replacement of the filter media and uv systems to ensure that they remain effective.
ECP49	Service Director - Place	Bancroft Lighting	45	-	0	0	45	0	0	0	0	0	To remove the existing out of date and potentially dangerous lighting around the gardens and replace with new items. This would significantly improve personal safety of the public.
ECP50	Service Director - Place	Oughtonhead Common Footpaths	20	-	0	0	20	0	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
ECP51	Service Director - Place	Ransoms Rec Footpaths, Gates and Railing	30	-	0	10	20	0	0	0	0	0	Many of the footpaths are degrading and becoming uneven and would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. The formal gates and railings off Nightingale Road are in need of investment to ensure they remain safe, fit for purpose and of an appropriate standard for the location.
ECP52	Service Director - Place	St Johns Cemetery Footpath	40	-	0	0	0	40	0	0	0	0	Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Planning for the renewal of the Greenspace Management Strategy in 2021. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. Due to other priorities and limited staffing resources this is planned for 2024/25. In the meantime urgent repairs will be completed on an adhoc urgency basis.  UPDATE CBP 2021/22: Increase in estimated investment from £30k to £40k due to further deterioration in condition,
<b>Sub-Total: Green Space Developments - Hitchin</b>			<b>470</b>	<b>287</b>	<b>-</b>	<b>310</b>	<b>85</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Green Space Developments - Letchworth</b>													
ECP53	Service Director - Place	Howard Gardens Splashpad	35	-	0	35	0	0	0	0	0	0	The facilities at Howard Gardens are now over 10 years old since the site was renovated with support of a HLF Grant. The equipment in the plant room is now well worn and is in need of renewal.  UPDATE CBP 2021/22: Increase in estimated investment from £33k to £35k as further deterioration has increased cost of refurbishment.
ECP54	Service Director - Place	Ickneild Way Cemetery Footpaths	50	-	50	0	0	0	0	0	0	0	Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site.
ECP55	Service Director - Place	Wilbury Hills Cemetery Footpaths	60	-	10	0	10	10	0	30	0	0	Due to high volumes of visitors the existing footpath network through the site are wearing out this program will support an investment program over a period of time to maintain current standards.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP56	Service Director - Place	Norton Common Footpaths	10	-	0	0	10	0	0	0	0	To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
<b>Sub-Total: Green Space Developments - Letchworth</b>			<b>155</b>	<b>-</b>	<b>60</b>	<b>35</b>	<b>20</b>	<b>10</b>	<b>-</b>	<b>30</b>	<b>-</b>	
<b>Green Space Developments - Royston</b>												
ECP57	Service Director - Place	Newmarket Road Royston Skatepark and Access	90	-	0	0	90	0	0	0	0	Following the success of the new facility at Norton Common the existing item at Newmarket Road is in need of renovation and updating at the same time now the site is becoming more popular access into the site requires improvement and formalising.  UPDATE CBP 2021/22: Increase in investment from £60k to £90k. Officers are seeking to identify whether S106 funding can be applied to support the scale of the revised project.
<b>Sub-Total: Green Space Developments - Royston</b>			<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Museum and Arts Development</b>												
ECP58	Service Director - Commercialisation	Museum Storage Solution	1,100	-	1,100	0	0	0	0	0	0	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures which are increasingly posing a health and safety risk to our staff. This project will involve relocating parts of the museum collection whilst the previously mentioned storage units are levelled and a new purpose built storage unit is built on the site. The storage unit will comprise of space saving roller racking, climate controlled spaces for fragile items of the collection and a small amount of office space for museum staff to utilise when on site. This office space could also be used under supervision to assist with third party research such as students or historians. The amount requested is an initial estimate, extrapolated from previous external costing exercises on a smaller storage unit on the site. It is the opinion of officers however, that a larger site would future proof the museum storage facilities and more costing work will need to be undertaken to provide a more precise quotation for the development. The completion of this work would see the former Hitchin Museum and Letchworth Museum sites be completely cleared of museum storage.
<b>Sub-Total: Museum and Arts Development</b>			<b>1,100</b>	<b>-</b>	<b>1,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>IT Schemes:</b>												
NCP15	Service Director - Customers	Laptop Purchases for Officers	220	-	55	0	0	55	0	110	tbc	As part of the Transformation changes and to support the new ways of working, the strategy being proposed going forward will be for all officers to have a laptop, instead of a PC, that will be used for both Home Working and Office use. The laptops will support soft telephony, meaning that the Council won't have to replace 250 telephone handsets that are reaching end of life at an approximate cost of £63K. The investment is also anticipated to facilitate associated revenue savings in the form of telephone call charges, DCO energy costs and potentially additional rental income from the reduction in office space required for Council purposes. The requested resource is additional to that requested for the Laptop - Refresh Programme (ECP72) and will allow the roll-out of laptops to all officers.
NCP16	Service Director - Customers	Member Laptops - Refresh Programme	180	-	0	0	60	0	0	120	0	Laptops were purchased for Council Members in 2020 to support the new ways of working during the pandemic. Periodic replacement will ensure that the equipment is fit for purpose and that the software is compliant with PSN regulations.
NCP17	Service Director - Customers	WiFi Upgrade	40	-	0	0	0	0	40	0	0	WiFi upgrade within District Council Offices, Hitchin Town Hall/ North Hertfordshire Museum and Buntingford Depot. As part of the ongoing Transformation programme, the upgrade will ensure staff and Members will have full Internet access via their laptops when operating from these Council buildings.
NCP18	Service Director - Customers	Conference Calling Solutions in Large Meeting Rooms at District Council Offices	35	-	35	0	0	0	0	0	0	Installation of Audio and Conference solutions into 8 of the meeting rooms across the DCO for future video and conference calls.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
ECP59	Service Director - Customers	Back-up Diesel 40 KVA Generator (DCO)	25	-	0	0	25	0	0	0	0	0	As part of Business Continuity and improving services, the authority purchased a Diesel Generator in 2015/16. The proposed investment in 2023/24 is for the renewal of this hardware.
ECP60	Service Director - Customers	Additional Data Backup Storage	74	-	0	15	0	18	0	41	0	0	As the amount of data being stored is increasing annually, there is a need to ensure we keep adding additional storage to cope with the demands of the back-up storage.
ECP61	Service Director - Customers	CCTV at DCO & Hitchin Town Hall	15	-	0	0	15	0	0	0	0	0	Replace the existing CCTV Controllers with newer, faster technology including more disc space to capture enhanced images. The cameras will remain.
ECP62	Service Director - Customers	Data Switch Upgrade	74	-	0	15	0	18	0	41	0	0	The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly.
ECP63	Service Director - Customers	DR Hardware Refresh Inc UPS Battery Pk (Unit 3)	115	-	0	0	55	0	0	60	0	0	Hardware upgrade within the Disaster Recovery centre at Unit 3, as part of the hardware refresh programme. This includes the Servers, Switches and UPS at the DR Centre at Unit 3.
ECP64	Service Director - Customers	Mobile Device Management software	-	-	0	0	0	0	0	0	0	0	Replace the current Mobile Device Management software, which enables the Council to lock down mobile devices and provides the ability to remotely wipe these, should they be lost or stolen. The replacement system will be a modern cloud solution meaning that any future upgrades can be done remotely without the need for the device to be brought into the Council Offices  UPDATE CBP 2021/22: Proposed to remove £18k allocation in 2024/25 as the Mobile Device Management software has been superseded by a product called In-Tune, which is provided within the Microsoft Enterprise Agreement. There is therefore no longer a need to have a separate piece of software to control mobile devices. The associated software technical support and maintenance saving is included within the revenue efficiency proposals for 2021/22.
ECP65	Service Director - Customers	PC Refresh Programme	82	-	13	8	7	13	7	34	0	0	PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the Citrix thin client technology.  UPDATE CBP 2021/22: Total project allocation proposed to be reduced by £100k from original £182k to £82k to support the purchase of laptops going forward. Original programme included annual £17k allocations in 21/22,22/23,23/24, £23k in 24/25, £25k in 25/26 and £83k over 2026 - 2031.
ECP66	Service Director - Customers	Additional PC's - Support Home Working/OAP	-	-	0	0	0	0	0	0	0	0	The authority has a large PC/Monitor estate which as part of the ICT Service Plan requires refreshing annually.  UPDATE CBP 2021/22: Total original approved allocation of £128k proposed to be removed as laptops will instead be purchased going forward. Monitors will be purchased with PCs via the PC Refresh Programme (ECP61) going forward
ECP67	Service Director - Customers	Tablets - Android Devices	135	-	15	18	12	17	17	56	0	0	As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. The tablets also facilitate paperless Committee Meetings.
ECP68	Service Director - Customers	Security - Firewalls	66	-	0	14	0	16	0	36	0	0	Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure.

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ECP69	Service Director - Customers	Cabinet Switches - 4 Floors	54	-	18	0	0	18	0	18	0	This hardware connects each floor across the DCO to each other and back to the IT Data Centre on the ground floor. This hardware is the essential piece of kit that routes the traffic from desktops to the data servers and hence keeping this technology up to date and modern is essential to ensure data speeds are maintained.
ECP70	Service Director - Customers	40 KVA UPS Device or Battery Replacement	53	-	11	0	12	0	14	16	0	The operation life of the batteries within the UPS Systems is 3 years and they need to be replaced periodically. The authority has got 3 40 KVA UPS Systems which have varying battery sizes installed.
ECP71	Service Director - Customers	Dell Servers	145	-	0	0	0	70	0	75	0	In 2015/16 the authority upgraded the Server Estate with 10 Physical high level Dell Servers which have 179 virtual servers running within them. The hardware has a 5 year shelf life before being unsupported.
ECP72	Service Director - Customers	New Blade Enclosure	92	-	0	0	0	40	0	52	0	The Blades are an integral part of the Servers and go hand in hand. These formed part of the hardware refresh programme in 2015/16 and have a shelf life of 5 years.
ECP73	Service Director - Customers	Replacement SAN	235	-	0	0	0	115	0	120	0	The Storage Area Network (SAN) is used to compliment the data storage and backups across the infrastructure estate. These are a critical element of the data infrastructure network as they also move the data traffic around the servers. The authority replaced the current SAN in 2015/16 and the life of this hardware is 5 years.
ECP74	Service Director - Customers	Core Backbone Switch	75	-	0	0	0	35	0	40	0	Dual processor switch, which links the virtual servers to the SAN.
ECP75	Service Director - Customers	Additional Storage	58	-	0	13	0	0	25	20	0	As part of the day to day collection and storage of data within the Information@Works (I@W) which is the Corporate Document Management solution, the amount of data that is being scanned and captured via the Doc's on-line contract provided by Northgate is increasing by the day. There has been a huge push over the past year to work towards enabling every department to have access to I@W as this compliments Home Working.
ECP76	Service Director - Customers	Laptops - Refresh Programme	199	-	30	7	7	80	5	70	0	Over the past 3 years IT have reduced the laptop estate from 149 devices down to only having 48 still in use. The small budget provision is to ensure we have funds to replace these devices when Windows 7 becomes de-supported or they have reached their end of life as part of the refresh programme.  UPDATE CBP 2021/22: Approved total scheme allocation of £21k proposed to be increased by the £228k of resource released from the proposed reductions in allocations for PC Refresh (ECP61 - £100k) and additional PCs for Homeworking (ECP62 - £128k). As part of the Transformation changes, the strategy being proposed going forward will be for all officers to have a laptop instead of a PC that will be used for both Home Working and Office use. To facilitate the timely delivery of the scheme, Cabinet (December 15 2020) approved the bringing forward of £50k of the proposed capital allocation into 2020/21.
ECP77	Service Director - Customers	Alternative to safeword tokens for staff/members working remotely	63	-	0	12	0	18	0	33	0	The technology has changed considerably since we first starting using the Safeword Tokens 7-8 years ago. With the changes in personal technology such as Smart/IOS Phones there are now products on the market that are PSN approved for getting Access Keys delivered for 2 Layer Authentication such as Texts or App's on Smart Phones etc. This enables Members, Staff and Support Agencies to gain access to the remote login site from anywhere with no need to have a physical hardware device to hand.
ECP78	Service Director - Customers	Microsoft Enterprise Software Assurance	1,278	-	0	390	0	0	426	462	0	It is essential NHDC has the correct Microsoft Licences to ensure the Council does not fall foul of F.A.S.T (Fraud Against Software Threat) regulations. The current three year contract started from 1st April 2019.
<b>Sub-Total: IT</b>			<b>3,313</b>	<b>-</b>	<b>177</b>	<b>492</b>	<b>193</b>	<b>513</b>	<b>534</b>	<b>1,404</b>	<b>-</b>	

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>TOTAL</b>			<b>43,752</b>	<b>4,733</b>	<b>14,719</b>	<b>7,919</b>	<b>5,143</b>	<b>6,788</b>	<b>5,224</b>	<b>3,959</b>	<b>-21</b>	

TOTAL CONSISTS OF:												
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:			42,404	4,690	14,086	7,889	5,083	6,733	5,034	3,579	0	
NET CHANGE IN THE 2021/22 PROCESS			1,348	43	633	30	60	55	190	380	-21	

These totals exclude those capital projects planned to complete in 2020/21.

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