

# Public Document Pack

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET

TUESDAY, 29TH JUNE, 2021

### SUPPLEMENTARY AGENDA

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

<b>Agenda No</b>	<b>Item</b>
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- |    |   |
|----|---|
| 7. | <b><u>ITEMS REFERRED FROM OTHER COMMITTEES</u></b> (Pages 3 - 92) |
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Any Items referred from other committees will be circulated as soon as they are available.

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## **Referrals from Other Committees**

- 7a Referral from Overview and Scrutiny Committee: 22 June 2021 – North Hertfordshire Community Lottery - New Policies
- 7b Referral from Finance, Audit and Risk Committee: 23 June 2021 – Risk Management Update
- 7c Referral from Finance, Audit and Risk Committee: 23 June 2021 - Revenue Budget Outturn
- 7d Referral from Finance, Audit and Risk Committee: 23 June 2021 – Investment Strategy (Capital and Treasury) End of Year Review 2020/21

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## 7a REFERRAL FROM OVERVIEW AND SCRUTINY COMMITTEE: 22 JUNE 2021 – NORTH HERTFORDSHIRE COMMUNITY LOTTERY - NEW POLICIES

*NB: To be taken with Item 8*

### **RECOMMENDED TO CABINET:**

- (1) That the age limit for playing the North Hertfordshire Community Lottery should be raised from 16 to 18, should legislation allow;
- (2) That consideration be given to putting a policy in place which would limit any one person to buying no more than £10 worth of tickets per week;
- (3) That the concerns and issues raised by the Overview and Scrutiny Committee, as detailed in the minutes of the Committee held on 22 June 2021, be taken into account when making its final decision on adopting these policies and the lottery.

**REASON FOR DECISIONS:** To enable the Overview and Scrutiny Committee to comment on the report entitled North. Hertfordshire Community Lottery – New Policies prior to consideration by Cabinet.

The Executive Member for Enterprise, the Arts and Transport introduced the report entitled North Hertfordshire Community Lottery – New Policies together with the following appendix:

- Appendix 1 – Gatherwell Policies

He drew attention to the following:

- The policies went some way to addressing concerns that a Community Lottery could encourage gambling;
- This initiative was an opportunity to raise revenue for the Council at a time when local authority funding was being cut;
- The policies presented in Appendix 1 were mandatory to enable the project to go ahead.

The Service Director - Commercial drew attention to the following:

- The required Gambling Licence would take 16 weeks to obtain and once this was in place the lottery could launch;
- There was a typographical error on page 19 of the Appendix: 'Royal Borough of Kingston Upon Thames' should read 'North Hertfordshire District Council';
- The lottery was a 'Super Six' lottery, based on the Australian National Lottery – Section 9.1 (page 24) set out how the lottery would work;
- NHDC would be ensuring that the policies made clear that credit cards would not be allowed to be used to play the lottery, to ensure people have the funds prior to buying a ticket;

The following Members asked questions and took part in debate:

- Councillor David Levett;
- Councillor Daniel Allen;
- Councillor Claire Strong;
- Councillor Carol Stanier;

- Councillor Ruth Brown;
- Councillor Tony Hunter;
- Councillor Sue Ngwala.

Comments raised by Members included:

- Several members had concerns about gambling and the need to have necessary safeguards in place, such as having a policy which limited the amount of tickets any individual could buy and ensuring that anyone who had registered not to be allowed on gambling websites could not access the lottery;
- Section 9.4 of the Gatherwell Policies stated that, on average, Councils generated £40,000 per annum through their Community Lotteries – this would require a significant number of tickets to be sold;
- The Council needed to be aware of its duty to protect children in the advertising and promotion of the lottery, particularly if the beneficiaries were youth-based charities such as sports clubs;
- The player age could be raised to 18 or 21 to protect children;
- A break clause must be included to give NHDC an opportunity to review progress after one year and leave the contract if required;
- There may be an impact on existing charity lotteries around the district who may lose players to the NHDC lottery;
- The Council would need to ensure the policies protected children and young people, for example asking people to tick a box online to confirm they were over 16 did not seem like a strong enough safeguard for online ticket purchases;
- People could set up multiple accounts online to override the ticket limit per individual;
- Prominent signposting to gambling support agencies should be provided on the ticket website and a message confirming total spend before paying could be included as a further safeguard;
- There was a concern that the Council would be encouraging gambling, albeit in support of good causes, and some Members felt that the end did not justify the means - evidence showed that the people who played lotteries were those who could least afford to do so;
- If the break clause was invoked after one year, this could put the Council at risk of losing money;
- When the concept of a lottery was previously discussed, it had been suggested that revenues would be given to the Area Committees to distribute as grants, but this now appeared not to be the case;
- North Herts could look at the safeguards which other Councils had put in place, particularly regarding the safeguarding of children and safeguards over messaging and marketing;
- Many Members of the Committee did not endorse the recommendations of the Cabinet report at present and encouraged Cabinet to consider if the cost of the lottery was worth the benefit;
- Although some money had been invested in this project, it was not too late to withdraw from it if Cabinet considered this appropriate.

The Service Director - Commercial responded to questions and comments including:

- Further detail regarding how to play the lottery (specifically number matching) would be circulated to the Committee for clarification;
- It was anticipated that most people would play the lottery to support local organisations rather than with the objective of winning;
- The project would be reviewed after one year and there was a break clause at one year included in the contract which could be used if necessary;
- The prize fund was maintained by Gatherwell and linked to the 80+ other Councils, so the risk of having to pay out the top prize of £25,000 was with Gatherwell;

- The report which went to Cabinet in December 2020 set out the money anticipated to be generated for good causes and the Council each year. The projection over 6 years was that just under £70,000 per annum would go directly to good causes and just under £13,000 directly to the Council;
- The Commercial Team would speak to contacts in other Councils regarding the safeguarding of children, but this had not been identified as an issue to date and positive feedback had been received from other Councils regarding Gatherwell's management of the lotteries;
- The key message was that the lottery was being run to support good causes and not as a gamble. The potential return on £1 was small in comparison with other forms of gambling such as sports betting, therefore it was seen as low risk, but these issues would be looked into.

The Executive Member for Enterprise, the Arts and Transport advised:

- There were no guarantees on how much revenue could be raised through the lottery but it represented an extraordinarily low economic risk to the Council and was forecast to generate income from Year 2 onwards;
- Careful and sensitive marketing would be required to ensure the Council was advertising the lottery in an appropriate way and not seen to be promoting gambling to people under 18 – this would be looked into further and discussed with the Committee again as required;
- There were existing lottery-funded projects in North Hertfordshire that were used by children;
- It was acknowledged that strong safeguards should be put in place to protect children, young people and the vulnerable;
- Safeguarding of marketing messages would be taken into account and further consideration would be given to how this could be done, as well as looking at the most cost-effective ways of marketing the lottery to reduce any financial risk.

**RECOMMENDED TO CABINET:**

- (1) That the age limit for playing the North Hertfordshire Community Lottery should be raised from 16 to 18, should legislation allow;
- (2) That consideration be given to putting a policy in place which would limit any one person to buying no more than £10 worth of tickets per week;
- (3) That the concerns and issues raised by the Overview and Scrutiny Committee, as detailed in the minutes of the Committee held on 22 June 2021, be taken into account when making its final decision on adopting these policies and the lottery.

**REASON FOR DECISIONS:** To enable the Overview and Scrutiny Committee to comment on the report entitled North Hertfordshire Community Lottery – New Policies prior to consideration by Cabinet.

*NB: The report considered by the Overview and Scrutiny Committee on 22 June 2021 can be viewed at agenda item 14 here:*

<https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=134&MId=2648&Ver=4>

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**7b REFERRAL FROM FINANCE. AUDIT AND RISK COMMITTEE: 23 JUNE 2021 – RISK MANAGEMENT UPDATE**

***RECOMMENDED TO CABINET:***

- (1) The reviews of the Corporate Risks for the quarter be noted namely:
  - That there be no change to the Cyber risks (current risk score of 8 and a Target Risk score of 6);
  - That the Brexit (EU Transition) Risk be decreased in the current risk score from a 7 to a 5, and a Target risk score of 3; and
- (2) That the Annual report on Risk Management be noted.

That Cabinet recommend to Council:

- (1) That the Annual report on Risk Management be noted.

***REASONS FOR DECISIONS:***

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management..

The Service Director – Resources presented the report entitled Risk Management Update, including the appendices. The Service Director advised that two risks had been reviewed; these were Cyber risks and the Brexit (EU Transition) Risk.

The Service Director – Resources informed Members that Consultation had been carried out with the Senior Management Team and the Risk Management Group (RMG).

The Service Director advised that that that he would inform Members when the next RMG was taking place.

Directing his attention to Appendix C - Annual Report on Risk Management, the Service Direction provided further information relating to the Insurance Review, Business Continuity Plans and Health and Safety. He also drew Members' attention to the Key Actions for 2021/22 which outlined actions that would ensure the continued development of risk management at the Council.

The following Members asked questions of the Service Director – Resources:

- Councillor Terry Hone;
- Councillor Clare Billing; and
- Councillor Adam Compton.

In response to questions raised, the Service Director – Resources advised:

- The Delivery of the Waste Collection and Street Cleansing Services Contract appeared on the risk matrix as Medium/High owing to the size of the contract and the impact was significant should problems arise. However, the risk needed to be reviewed again as the service was operating well despite the occasional issues;
- There were several risks on the matrix that covered issues such as the impact of evictions and the end of the furlough of scheme on the Council's finances. These risks were: Increased homelessness, Novel Coronavirus and Managing the Council's Finances.
- He would be happy to look at re-wording 'e-tendering system able to transmit to the new government e-procurement system in the event of a no-deal Brexit'.

Having been proposed and seconded, it was put to the vote and:

**RESOLVED:**

- (1) That the reviews of the Corporate Risks for the quarter be noted; and
- (2) That the Annual report on Risk Management be noted.

**RECOMMENDED TO CABINET:**

- (1) The reviews of the Corporate Risks for the quarter be noted namely:
  - That there be no change to the Cyber risks (current risk score of 8 and a Target Risk score of 6);
  - That the Brexit (EU Transition) Risk be decreased in the current risk score from a 7 to a 5, and a Target risk score of 3; and
- (2) That the Annual report on Risk Management be noted.

That Cabinet recommend to Council:

- (1) That the Annual report on Risk Management be noted.

**REASONS FOR DECISIONS:**

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

**FINANCE AUDIT AND RISK COMMITTEE**  
**23 June 2021**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: RISK MANAGEMENT UPDATE**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING INCLUSIVE AND EFFICIENT COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

**1. EXECUTIVE SUMMARY**

To provide the Committee with an update on the Corporate risks and the proposed changes to these risks.

**2. RECOMMENDATIONS**

2.1. That the Committee notes and recommends to Cabinet, the reviews of the Corporate Risks for the quarter, namely

- The review of the Cyber risks with no change to the Current risk score of 8 and a Target Risk score of 6.
- The review of the Brexit (EU Transition) Risk with a decrease in the Current risk score from a 7 to a 5, and a Target risk score of 3.

2.2 That the Committee notes and refers the Annual report on Risk Management to Cabinet and then Full Council.

**3. REASONS FOR RECOMMENDATIONS**

3.1. The responsibility for ensuring the management of risks is that of Cabinet.

3.2. This Committee has responsibility to monitor the effective development and operation of Risk Management.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1. There are no alternative options that are applicable.

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

5.1. Consultation has been undertaken with the Senior Management Team (SMT) and the Risk Management Group (RMG). This includes the Executive Member for Finance and IT as Risk Management Member Champion and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member.

## **6. FORWARD PLAN**

6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 5 February 2021.

## **7. BACKGROUND**

At the March meeting, the Committee noted

- The review of the Corporate Planning risks with no change to the risk score.
- The review of the Increased Homelessness Corporate risk with an increase in the risk score from 5 to 7 and a target risk score of 6.
- The review of the Waste Corporate risks with no change to the risk score.
- The proposal to archive the Workforce Planning Corporate Risk with an original risk score of 5 and a final risk score of 5.

The FARC recommended the changes, and these were referred on to Cabinet and approved.

## **8. RELEVANT CONSIDERATIONS**

8.1. The Corporate risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana, the Council's performance and risk management software. Guest Login details can be found at the link below.

<https://intranet.north-herts.gov.uk/search/node/pentana%20quest%20login>

### **Table 1: Draft Risk and Opportunities Matrix**

The dates specified relate to the date that officers last reviewed the risk.

Risks that officers have reviewed since the last meeting have been given a direction of travel arrow.

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Impact of Anti-Social Behaviour on Council Facilities (07.05.21) ↔</li> <li>• Income Generation (10.05.21) ↔</li> <li>• Increased Homelessness (01.02.21)</li> <li>• National and Regional Planning Issues (08.02.21)</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Local Plan (08.02.21)</li> <li>• Managing the Council's Finances (07.05.21) ↔</li> <li>• Novel Coronavirus (Covid-19) (23.03.21) ↔</li> <li>• Covid-19 - Leisure Management Contracts (22.04.21) ↔</li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Brexit (EU Transition) (08.04.21) ↓</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks (22.04.21) ↔</li> <li>• Delivery of the Waste Collection and Street Cleansing Services Contract (21.04.21) ↔</li> <li>• Sustainable Development - Neighbouring Authorities (08.02.21)</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b>	<b>6</b> <ul style="list-style-type: none"> <li>• External Factors Affecting the Future Provision of Waste Services (18.01.21)</li> </ul>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		

8.2. At the Risk Management Group (RMG) on the 19 May, the Group received a detailed update on the Cyber Risks Corporate risk. (Appendix A) Discussion centred around the ongoing threats and the level of actions which could be taken. It was accepted that there was a need to avoid complacency and ensure that attention is focussed on the continuing management of the ever- evolving threats. The Group agreed that the current risk score of 8 and the target risk score of 6 was appropriate and should be retained at this time. The ongoing work included an important action in relation contracting an external Cyber Security Specialist to assess our systems. This can not take place until we are back to operating in a more normal way. If this assessment is successful then that would be a

key aspect of reducing down to the target risk score. It must be noted that no actions will eliminate the possibility of a cyber attack, but should reduce the chance of an attack that has a high impact. The biggest issue is always likely to be user error (e.g. clicking on an unsafe weblink) and communications with Officers and Councillors will continue to focus on that.

8.3. The RMG reviewed a comprehensive update on the Brexit (EU Transition) risk (Appendix B). The service area proposed a decrease in the Risk Score from 7 to 5. The Group agreed with the lowering of the risk score. The risk entry demonstrates the complexity of the EU transition and that NHDC is dealing with the remaining associated issues in an effective way.

8.4 The Group discussed the Annual Risk Management Report to be reported to FARC, Cabinet and Council, providing a summary of the Risk Management activity already reported throughout the 20/21 year. (Appendix C) The report covers significant changes to Corporate Risks, the annual review of the Risk Management Framework, as well as an Insurance, Health and Safety and Business Continuity updates for the year. Key actions to be taken forward for the 21/22 year include increased roll out of the Risk Management e-learning and working with Officers and Members on the risk appetite of the Council, ensuring that actions reflect the target. The Group agreed that members of FARC should also undertake the risk management e-learning module as well as Officers.

## **9. LEGAL IMPLICATIONS**

9.1. The Committee's Terms of Reference include monitoring the effective development and operation of risk management and corporate governance, agreeing actions (where appropriate) and making recommendations to Cabinet. This report gives the Committee the opportunity to review and comment on the high-level risks and how it is proposed they are managed.

## **10. FINANCIAL IMPLICATIONS**

10.1 There are no direct financial implications arising from this report. However, it should be noted that there is a separate Corporate risk relating to Managing the Councils Finances.

## **11. RISK IMPLICATIONS**

11.1. The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Councils Corporate Risks. Failure to provide the Committee with regular updates would conflict with the agreed Strategy and would mean that this Committee could not provide assurance to Cabinet that the Councils identified Corporate Risks are being managed.

## **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. Reporting on the management of risk provides a means to monitor whether the Council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

### **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 this report.

### **15. HUMAN RESOURCE IMPLICATIONS**

15.1.1 There are no direct human resource implications relating to this report, but it should be noted that there is a separate Corporate risk relating to Workforce Planning.

### **16. APPENDICES**

16.1. Appendix A – Cyber Risks  
Appendix B – Brexit (EU Transition)  
Appendix C – Annual report on Risk Management

### **17. CONTACT OFFICERS**

17.1. Rachel Cooper, Controls, Risk & Performance Manager  
[rachel.cooper@north-herts.gov.uk](mailto:rachel.cooper@north-herts.gov.uk); ext. 4606

Ian Couper, Service Director – Resources  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk) ext. 4243

### **18. BACKGROUND PAPERS**

18.1. The risks held on Pentana, the Councils Performance and Risk Management software.

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# Cyber Risks

Generated on: 24 May 2021



<b>Risk Code</b>	CR62	<b>Risk Title</b>	Cyber Risks
<b>Risk Owner</b>	Jo Dufficy	<b>Updated By</b>	Vic Godfrey
<b>Year Identified</b>	2014	<b>Council Objective</b>	Be a welcoming, inclusive, and efficient council
<b>Risk Description</b>	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>- Computer virus</li> <li>- Malware</li> <li>- Ransomware</li> <li>- Computer hacking</li> <li>- Action by Staff/Member (e.g. opening a malicious link)</li> <li>- Malicious tampering of computer records</li> <li>- Information being sent to the wrong recipient</li> <li>- Loss or damage to server room</li> </ul> <p><b>There is a risk of:</b></p> <ul style="list-style-type: none"> <li>- Systems being interrupted or damaged</li> <li>- Data being corrupted or erased</li> <li>- Personal data being stolen</li> <li>- Breach of the Data Protection Act 2018</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Safe and effective use of Information Technology</li> </ul>		
<b>Consequences</b>	<p>The consequences of these risks include:</p> <ul style="list-style-type: none"> <li>- Loss of reputation</li> <li>- Ability to provide services is disrupted</li> <li>- Revenue streams are reduced</li> <li>- Additional costs to investigate and test following repair/restoration</li> <li>- Claims for compensation if a third party suffers a financial loss</li> <li>- Fines from the Information Commissioner</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Information Security policy in place, which applies to staff and Members use of IT systems</li> <li>- Email encryption software (EGress) implemented</li> <li>- Introduced new software (Clearswift and Bloggs) to enhance the checking of threats attempting to attack via the firewall</li> <li>- All data centres have fire suppressing systems and are located in secure areas</li> <li>- Disaster recovery in place at a remote site (Unit 3)</li> <li>- Basic computer insurance provides limited cover for damage to equipment and reinstatement of data (although it does not cover payment of any fines or compensation to third parties)</li> <li>- Business Continuity Plans in place</li> <li>- Ransomware attack resulting in the write-off of IT hardware and infrastructure identified as a financial risk for 2019/20 and 2020/21 (Low/£200k)</li> <li>- Data Protection/FOI SIAS internal audit</li> <li>- Controls in place to ensure any third party providers adhere to NHDC security requirements</li> <li>- Annual PEN Test completed autumn 2018 and PSN Accreditation renewed January 2019</li> <li>- SIAS audit of Cyber Security (March 2018) provided Moderate overall assurance</li> <li>- Implemented specific cyber roles/responsibilities within the ICT team to strengthen resources and approach (September 2018)</li> <li>- Implemented the recommendations from the SIAS audit of Cyber Security</li> <li>- Reviewed findings of the 2018 penetration test and worked through the minor improvements identified</li> <li>- In 2019, the requirement for Members to be registered as Data Controllers with the ICO was removed</li> </ul>		

## Cyber Risks

	<ul style="list-style-type: none"> <li>- SIAS audit of Cyber Security (August 2019) provided Satisfactory overall assurance and the report made five recommendations (four medium priority and one low priority)</li> <li>- NHDC PSN submission was sent to the Cabinet Office on 19 April 2020</li> <li>- NHDC received its PSN Compliance certificate in September 2020</li> <li>- All security patches for Firewalls reviewed and updated, and an in-house penetration test carried out to ensure all links into the corporate network are secure</li> <li>- ICT Manager attended a Cyber Fraud webinar hosted by the London Fraud Forum on 22 April 2021</li> </ul>		
<b>Ongoing Work</b>	<p><b>Business-as-Usual Activities</b></p> <ul style="list-style-type: none"> <li>- Anti-virus/malware software in place and automatic updates are performed to servers and all PCs/laptops/tablets</li> <li>- Email Filter monitoring</li> <li>- Web Filter monitoring</li> <li>- Firewalls continually reviewed and updated</li> <li>- Reviewing firewall log files</li> <li>- Continuing to ensure the latest software security packages are installed and deployed across all firewalls</li> <li>- Microsoft patches kept up to date</li> <li>- Software patches continue to be applied to ensure we are on the latest versions and that security is at the highest levels possible</li> <li>- Annual Penetration (PEN) Tests undertaken and PSN Accreditation renewed to ensure security is at the highest levels</li> <li>- Regular advice and reminders issued to users</li> <li>- LMS training available (e.g. annual DPA 2018)</li> <li>- Control/security systems enable potential threats to be identified, investigated and managed accordingly</li> <li>- Regular reminders to all staff and Members are sent by the Service Director - Customers about the need to be vigilant about opening emails from unknown sources</li> <li>- Attending MHCLG Cyber Pathfinder Training Scheme events (currently being delivered online)</li> <li>- <u>Two Officers with specific cyber security responsibilities, which was implemented following a SIAS audit recommendation</u></li> </ul> <p><b>Specific (SMART) Actions</b></p> <ul style="list-style-type: none"> <li>- Implementing the recommendations from the SIAS audit of Cyber Security (August 2019), including the forthcoming release of a new Cyber Security mandatory training package (review of the training package has taken place and the ICT Manager is working with the L&amp;D Team to get this launched via the Learning Management System (LMS) - <u>estimated launch date September 2021</u>) <b><del>Implementation of recommendations and date of training launch to be confirmed with VG on 17 May 2021</del></b></li> <li>- NHDC has met and will be inviting an external Cyber Security Specialist in to carry out Cyber Essentials and then Cyber Essentials Plus, which cannot happen until we return to normal day-to-day working and into the offices (estimated date for this will be late summer 2021)</li> </ul>		
<b>Current Overall Risk Score</b>	8		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	
<b>Date Reviewed</b>	22-Apr-2021	<b>Next Review Date</b>	22-Jul-2021
<b>Latest Notes</b>	<p><u>24-May-2021 On 19 May 2021, the Risk Management Group agreed that the current risk score of 8 was appropriate and the current target score of 6 should be retained at this time.</u></p> <p>13-May-2021 Risk reviewed and updated by Vic Godfrey on 22 April 2021. No change made to the risk score. Target risk score (currently 6) to be discussed further with Vic Godfrey on 17 May 2021 prior to May's Risk Management Group meeting.</p>		

## Brexit (EU Transition)

Generated on: 07 May 2021




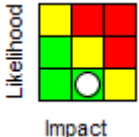
Risk Code	CR64	Risk Title	Brexit (EU Transition)
Risk Owner	Jeanette Thompson	Updated By	Jeanette Thompson
Year Identified	2018	Council Objective	Enable an enterprising and co-operative economy
Risk Description	<p>The EU-UK Trade and Cooperation Agreement (TCA) was agreed on 24 December 2020. The European Union (Future Relationship) Bill was introduced in Parliament on 29 December 2020 to implement the provisions of the TCA, and this received Royal assent on 30 December 2020. The EU Transition period ended on 31 December 2020.</p> <p>There has been and remains ongoing uncertainty following the identification of the risk. Because of the uncertainty regarding the transition (exacerbated by the Covid-19 situation and consequential delays over negotiations), the Council could face the following risks:</p> <p><u>Service Specific</u></p> <ul style="list-style-type: none"> <li>- Environmental and Food - insufficient staffing to cover Environmental and Food inspection issues/training post-Brexit (potential new duties to deal with soft/internal borders for import and export).</li> <li>- Community Engagement/Finance - likely increased financial pressures on low income/unemployed individuals and families, due to both Covid-19 and any tariffs that apply. Further reliance on food banks and assistance from the Council.</li> </ul> <p><u>General</u></p> <ul style="list-style-type: none"> <li>- There is a change in the demand for services, e.g. due to lower living standards.</li> <li>- The price of essential equipment/goods required to deliver services increases and/or the items become more difficult to obtain. If no trade agreement, tariffs will apply to imported goods and parts (likely 20%) with associated impacts for any related goods or services the Council procures or residents have to rely on, such as food.</li> <li>- There is a reduction in income and funding due to a decline in the demand for new housing.</li> <li>- The Council or contractors lose employees from EU27 countries.</li> <li>- Contractors fail to maintain the required level of service provision, e.g. due to the reduced availability of labour and/or equipment.</li> <li>- The potential for increased contract costs purely because of a change of law.</li> <li>- There is a reduction in income and an increase in bad debts due to a downturn in the economy.</li> <li>- Access to current EU funding programmes is lost.</li> <li>- Returns from investments reduce, although this could also mean a reduction in the rates for borrow to invest opportunities.</li> <li>- Electoral roll/elections issues (inaccuracies).</li> <li>- Workload increases to prepare for and deal with any issues, although this also provides an opportunity to identify areas of good practice and improve partnership working.</li> <li>- The price received for recyclable materials or the ability to dispose of recyclable materials is reduced.</li> <li>- Incidents of civil disorder occur.</li> <li>- Returning citizen service demand (health, wellbeing and other services).</li> <li>- UK legislation transfer to UK law and risk that constitution/delegations and authorisations not viable.</li> <li>- Potential data protection issues with retention and transfer of data as third country post-Brexit. <i>At 11 January 2021, the EU had still not assessed the UK's arrangements as adequate. However, under the EU-UK Trade and Cooperation Agreement (the "Agreement") concluded on 24 December 2020, a "grace period" during which the transfers of personal data from EEA Member States to the UK will not be considered a "third country" transfer under the GDPR was agreed. The Agreement provides that the specified period will last for no longer than six months from 31 December 2020. This is subject to an important caveat: if, during this period, the United Kingdom amends the data protection laws it has in place on 31 December 2020, or exercises</i></li> </ul>		

Brexit (EU Transition)

	<p><i>certain powers under the Data Protection Act 2018 or the UK GDPR without the agreement of the EU Partnership Council, the specified period shall automatically end.</i></p>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Potential investment opportunities, e.g. linked to lower interest rates or property prices.</li> <li>- Preparations identify areas of good practice and improve partnership working.</li> <li>- The Council becomes generally more resilient, not just in relation to Brexit - <i>although very difficult to assess if this is at all realistic in the current Covid-19 situation.</i></li> </ul>
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Quality of service provision deteriorates.</li> <li>- Projects fail to be delivered.</li> <li>- Failure to respond effectively to an increased demand for services, which negatively affects residents.</li> <li>- Damage to reputation.</li> <li>- Increased pressure on staff.</li> </ul>
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Senior Policy Officer developed an Impact Log at the time to chart potential impacts of Brexit to North Hertfordshire.</li> <li>- Brexit Impact Log reported to SMT in December 2018 (this was subsequently used by Project Board, Service Director - Legal &amp; Community and leadership team to manage the risks and associated preparations).</li> <li>- Preparedness document reported to SMT in March 2019 (pre-first proposed leave date) and updated in June 2019.</li> <li>- Hertfordshire Local Resilience Forum implemented a Strategic Co-ordinating Group for Brexit.</li> <li>- Food Safety lead officers attending Food Resilience Forum and training regionally.</li> <li>- Ministry of Housing, Communities and Local Government (MHCLG) put in place intelligence gathering arrangements to collate the regional impact and preparations for Brexit.</li> <li>- MHCLG announced additional funding for local government to prepare for Brexit (£35K to NHDC).</li> <li>- e-tendering system able to transmit to the new government e-procurement system in the event of a no-deal Brexit.</li> <li>- Risk entry presented to the Finance, Audit and Risk Committee on 21 March 2019 (following a review by the Risk Management Group and SMT) and the committee recommended to Cabinet that the risk be introduced as a Corporate Risk with a risk score of "9", due to the current level of uncertainty.</li> <li>- Service Director Legal &amp; Community co-ordinating from March 2019.</li> <li>- Additional new burdens distribution of funding of £17,484 for 2019/20.</li> <li>- Officer Project group established April 2019.</li> <li>- EU elections Project Board established, and elections undertaken in May 2019.</li> <li>- Brexit Project Board first meeting 29 July 2019 with Leader as Member.</li> <li>- Brexit Preparedness web page set up and link added to electronic orders sent to suppliers.</li> <li>- Brexit added to project monitoring reports sent to Overview and Scrutiny on a quarterly basis.</li> <li>- Regular Member updates provided.</li> <li>- 31 October 2019 Preparation work stood down due to the Parliamentary election due on 12 December 2019.</li> <li>- Brexit Officer Herts group and other local authority/central government activities stood down, other than exception reporting to EELGA.</li> <li>- New Brexit date of 31 January 2020 approved by the EU.</li> <li>- Parliamentary election undertaken on 12 December 2019.</li> <li>- Drafted contract clause to cover data transfer – use of change of law provision to impose.</li> <li>- Worked with LLG and MHCLG on process mapping for governance/secondary legislation process mapping.</li> <li>- Constitution/delegation and warrant checks undertaken.</li> <li>- Relevant managers checked policies for compliance and enforcement post Brexit issues.</li> <li>- European Union (Withdrawal Agreement) Act Bill received Royal Assent on 23 January 2020, the UK left the EU on 31 January 2020, with a transition period to 31 December 2020.</li> <li>- Lead Officer attended further meetings on the Settlement Scheme (county level and central) in January 2020.</li> <li>- EU Transition web page live and kept under review (Communications team has this as a standing item for their bi-monthly meetings). Tab on website re-instated to go to relevant page on web.</li> <li>- Global Brexit Update circulated to all staff and councillors on 31 January 2020.</li> </ul>

## Brexit (EU Transition)

- Jo Dufficy attended the EU Settlement Scheme National Conference on 10 February 2020.
- Project Board updates provided monthly from March 2020. These highlighted the issues faced nationally, which have been exacerbated by the Covid-19 pandemic. Virtual meetings recommended in October 2020.
- Emergency Planning Officer and Information Communication Technology Manager proposed extending the fuel storage at the DCO, although no resource to take this forward at this time. Project Board to consider whether this is required at this stage.
- EU Transition Officers met on 18 June 2020 to discuss planning for managing impacts at the strategic level in Hertfordshire (group subsequently subsumed into a new EU Transition Tactical Co-ordination Group).
- Hertfordshire EU Transition Tactical Co-ordination Group established in July 2020 and commenced meetings on 24 September 2020.
- Brexit working group meeting took place on 17 July 2020 (HCC, the Growth Hub, Herts LEP, the Chamber of Commerce and Frank Harrison attending from NHDC); although there have been national announcements on new border arrangements, there was frustration regarding the lack of detail as to how this will work.
- Countywide EU Settlement meeting on 21 July 2020, with confirmation that there are differing approaches to this, with some being effectively mothballed due to Covid-19.
- Defra readiness assessment.
- Careline stockpiled essential equipment.
- Weekly exceptions and tension monitoring reports sent and received.
- Liaised with Businesses/BIDs/LEP and Chamber of Commerce directly or via the Herts group. Herts Economic Development Officers Group (HEDOG) meetings cover this issue.
- Signposted businesses looking for guidance to the Growth Hub, Wenta, Better Business for All and to the LEP schemes (the LEP ran a series of Brexit webinars and workshops pre Covid-19). Circulated various preparation toolkits and webinars via a new Herts LEP & Growth Hub page (which NHDC has links to).
- Posters for the Settlement Scheme put up in the DCO and sent to local minority groups, libraries and Member surgeries. Assistance offered by Customer Services via We Are Digital referral from government.
- Use of MHCLG communications toolkits to roll out signposting information.
- Used funding to procure for three years specific software for regulatory issues for imports/exports.
- All Service Directors asked to review their delegations based on the updated wording re EU transition (and Covid regulations) and completed in December 2020.
- Worked with strategically important contractors to understand the risks they would face and to ensure plans were being taken to mitigate those risks. Legal contacted the big four and Controls, Risk and Performance contacted Capita for further updates in December 2020. Contract Managers reminded in December 2020 to contact key suppliers.
- The EU-UK Trade and Cooperation Agreement (TCA) was agreed on 24 December 2020. The European Union (Future Relationship) Bill was introduced in Parliament on 29 December 2020 to implement the provisions of the TCA, and this received Royal assent on 30 December 2020.
- The EU Transition period ended on 31 December 2020.
- The majority of corporate monitoring of the process, including associated risks, was undertaken by the Project Board through an established PESTLE risk plan. The lead officer was also part of a countywide group that devised a risk plan based on wider planning assumptions, which was presented to the Strategic Co-ordination Group and all Chief Executives, and where appropriate, these were fed through into the NHDC risk plan and actions.
- The Hertfordshire EU Tactical Co-ordination Group meetings continued in January 2021, being closed, with a debrief assessment in February 2021. The situation continued to be monitored. This and updates on issues/actions were reported through to the Brexit/EU Transition Project Board.
- Completed project to extend fuel storage at the DCO on 28 March 2021. Expenditure was authorised by the Project Board.
- The final Project Board took place on 8 April 2021 and having considered the outstanding issues being outside of the Council's control, have moved these for any relevant monitoring to the Response and Recovery Board (namely issues that may arise in terms of borders, inland borders and Environmental staffing resilience). Remaining uncommitted new burdens funding to be considered in the round of other available funding for local businesses/residents.

<p><b>Ongoing Work</b></p>	<p>- Service Director - Legal &amp; Community monitoring the latest EU transition developments (national and local) and providing regular updates to SMT.                  - Updates provided to Senior Managers, Staff and Members, e.g. via MIS and Insight.                  - Feeding up and down from county, regional and national liaison groups on a frequent basis.                  - Follow up actions of Council motion of 12 September 2019 – communication of no deal to residents/positive steps to highlight applying for settled status, local events and surgery support for EU nationals wanting to secure settled status. The Project Board acknowledged the actions taken so far. Will maintain NHDC’s ‘Brexit and Beyond’ page – with relevant links for the foreseeable future – which links through to settled status application. Continue to push out relevant information via social media.                  - Various environmental/food related residual risks: inland borders; lack of competent food enforcement officers available to deal with these issues (and Covid); Food Standards Agency clarification and guidance. Herts County Food Resilience Group/Environmental Group monitoring these regularly, requesting information/updates from the Food Standards Agency and Government. To the extent required, this will be monitored by the Response and Recovery Board and be part of business-as-usual.                  - Remaining uncommitted new burdens funding of £32,300. Officer/Member group to consider this with other appropriate funding available (three current strands) and a joined-up response/use to be monitored through the Response and Recovery Board as appropriate.</p> <p><u>SMART Actions</u>                  Officers are working hard to keep up to date with the constantly evolving situation and to communicate this across the authority, including undertaking the ongoing, recurring activities listed above. At this time, however, the Council has limited ability to further mitigate the level of risk, as this is dependent on significant issues being determined/resolved at a national/EU level. Therefore, we are unable to set SMART actions for this risk as most of this will be outside of NHDC control.                  As referenced above, relevant monitoring transferred to the Response and Recovery Board (namely issues that may arise in terms of borders, inland borders, Environmental staffing resilience and use of remaining uncommitted new burdens funding).</p>		
<p><b>Current Overall Risk Score</b></p>	<p>5</p>		
<p><b>Current Impact Score</b></p>	<p>2</p>	<p><b>Current Likelihood Score</b></p>	<p>2</p>
<p><b>Current Risk Matrix</b></p>		<p><b>Target Risk Matrix</b></p>	
<p><b>Date Reviewed</b></p>	<p>08-Apr-2021</p>	<p><b>Next Review Date</b></p>	<p>08-Oct-2021</p>
<p><b>Latest Note</b></p>	<p>14-Apr-2021 <u>Update by Jeanette Thompson – 8 April 2021</u>                  Various actions have taken place since the last review in January 2021. Hertfordshire EU TCG monitored the ports, flow of goods and highways issues. As reported through various resilience sub-groups or partner organisations, nothing of significance arose during that time in terms of delays or hold ups. No rise in public tension or cultural infighting was noted. The Met stood down its arrangements to focus on Covid. Whilst it was noted that some of this may be due to the delay in implementing full controls until June 2021, the EU TCG was stood down at the end of January 2021, a debrief review undertaken of the actions/outcomes of the group and the debrief recommendations fed through to the overall Strategic Coordination Group (which were approved and now feed into LRF Major Incident Framework). This has also been considered at the Project Board mentioned below.                  The NHDC Project Board met on 8 April 2021 to consider the outstanding issues/actions. For those that had not been closed, the following was agreed:                  - Various environmental/food related: inland borders; lack of competent food enforcement officers available to deal with these issues (and Covid); Food Standards Agency clarification and guidance. <i>To the extent required, this will be monitored by the Response and Recovery Board and be part of business-as-usual.</i></p>		

- Remaining uncommitted new burdens funding of £32,300. *Officer/Member group to consider this with other appropriate funding available (3 current strands) and a joined-up response/use to be monitored through the Response and Recovery Board as appropriate.*

- Follow up actions of Council motion of 12 September 2019 – communication of no deal to residents/positive steps to highlight applying for settled status, local events and surgery support for EU nationals wanting to secure settled status. *The Project Board acknowledged the actions taken so far. Will maintain NHDC's 'Brexit and Beyond' [1] page – with relevant links for the foreseeable future – which links through to settled status application. Continue to push out relevant information via social media.*

*Note statistical information available – last from September 2020 from Government: The total number of national applications received up to 30 September 2020 was 4,062,000.*

<https://www.gov.uk/government/statistics/eu-settlement-scheme-quarterly-statistics-september-2020>. North Hertfordshire - 4,200 applications.

It is difficult to compare this with anticipated numbers, e.g. as against any Electoral Register (ER). Settled status is not noted on the ER. The register is a list of those wanting to register; there may be other residents who have not registered. As at 1 April 2021, we wrote to 3,146 EU Citizens on the ER, and the 4,200 *is likely to include dependents*. It is an increase from 2019, when we had 2,904 registered.

The Project Board also considered the NHDC Corporate Risk rating. Whilst it was a matter for the Risk Management Group and Finance, Audit and Risk Committee, it thought that the impact and likelihood of the risks envisaged when the Corporate Risk was identified in 2018 had reduced.

There was some certainty in respect of the TCA and Act and operations. It was, however, acknowledged that some risks were ongoing national ones in respect of Northern Ireland, challenges from the EU and border ones may yet materialise once full border controls and checks are implemented (from June 2021). Herts County Food Resilience Group/Environmental Group were monitoring these regularly, requesting information/updates from the Food Standards Agency and Government. Relevant issues can be monitored through the Response and Recovery Board as needed. A risk matrix score of 2 for likelihood and impact was mentioned, although not specifically recommended. Have currently reduced the risk rating to 2/2.

[1] <https://www.north-herts.gov.uk/home/business/brexit-and-beyond>

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**NORTH HERTFORDSHIRE  
DISTRICT COUNCIL**



**Annual Report on Risk Management**

**April 2020 to March 2021**

**A progress report on Risk Management at North  
Hertfordshire District Council**

## **Annual Report on Risk Management** **April 2020 to March 2021**

1. Introduction
2. Recommendations
3. Overview
4. Significant Changes to Corporate Risks
5. Review of NHDC's Risk Management Framework
6. Risk Awareness and Appetite
7. Insurance Review
8. Business Continuity Planning
9. Health and Safety
10. Achieving the Key Actions for 2020/21
11. Key Actions for 2021/22
12. Conclusion
13. Definitions
14. Summary Matrix of Corporate Risks as at 31 March 2021

# Annual Report on Risk Management

April 2020 to March 2021

## 1 Introduction

1.1 This report provides Council with a summary of risk management at NHDC during 2020/21. The 2019/20 report was presented to Council on 24 September 2020.

1.2 It aims to:

- Confirm the Council's commitment to managing risks and considering associated opportunities to enable the achievement of its objectives and the successful delivery of its projects, initiatives and services.
- Summarise changes to the Council's Corporate Risks.
- Summarise the progress of previously identified actions and propose additional actions for 2021/22 that will further enhance the Council's Risk Management Framework.

## 2 Recommendations

2.1 Council notes the development of the Risk Management Framework, which supports the overarching governance framework.

2.2 Council notes the changes to the Corporate Risks during 2020/21.

## 3 Overview

3.1 Throughout 2020/21, the Finance, Audit and Risk (FAR) Committee received quarterly reports on the management of Corporate Risks and associated risk issues, and where necessary, referred items to Cabinet.

3.2 The Executive Member for Finance and IT in his role as the Member Risk Management Champion was a regular attendee at the quarterly Risk Management Group (RMG) meetings. The items discussed at these meetings informed the content of the committee reports.

3.3 The RMG is chaired by the Service Director – Resources, the Officer Champion for Risk Management, who is responsible for the risk management function at a strategic and operational level. This function is delivered by the Controls, Risk and Performance Manager and the Performance and Risk Officer, including the provision of training and support to Officers and Members.

3.4 During the year, one new Corporate Risk was introduced, two were archived and two overall risk scores were changed. No Corporate Risks were re-classified as Operational Risks. Section 4 provides further details.

3.5 In November 2020, the Shared Internal Audit Service (SIAS) issued its audit report on the Risk Management Framework, which provided overall satisfactory assurance. Section 5 provides further details.

- 3.6 Hertfordshire County Council (HCC) delivers the Council's insurance services and their Risk and Insurance Manager attends RMG meetings. This enables the Council to obtain an insight into emerging risks and issues at both HCC and other Hertfordshire local authorities. The SIAS Client Audit Manager also attends RMG meetings, helping to inform the group's understanding of wider risk issues.

#### **4 Significant Changes to Corporate Risks**

- 4.1 The Corporate Risks are the responsibility of the Senior Management Team and Cabinet, with Cabinet ensuring the risks are managed appropriately and proportionately. These key risks are those that cut across the delivery of all services, relate to key projects or could significantly affect the delivery of Council objectives. They are likely to require a high level of resources to manage and need to be monitored at a strategic level.
- 4.2 The quarterly reporting of Corporate Risks to Cabinet via the FAR Committee allows details of the top risks facing the Council and how we are managing them to be approved and monitored accordingly.
- 4.3 The following paragraphs highlight significant changes to Corporate Risks reported to the FAR Committee and Cabinet last year.

##### **Archived Corporate Risks**

###### **September 2020**

#### **4.4 Route Optimisation of Collection Rounds**

In March/April 2020, the relevant committees agreed that the risk should not be archived and should be retained until further information was provided. Following this, the Service Manager for Waste and Recycling provided the information requested. This confirmed that the route optimisation of rounds was complete and collection services were operating within normal expected parameters. Rounds were completed each day and missed collections were at acceptable levels. The Performance Management Regime monitored missed collections, and this was reported to the Executive Member and recorded on Pentana. The Waste team was also working with IT to develop mapping of collection routes and this data would soon be available on the intranet. As the work had been completed and appropriate risk mitigation measures were in place, the risk was again proposed for archiving and this was recommended and approved by the relevant committees.

###### **March 2021**

#### **4.5 Workforce Planning**

The RMG proposed to archive the risk, as the actions in place to manage it were embedded into current HR practices. There were no new significant actions to be implemented and it was assessed as being at the target risk level. Over time, there will be recruitment and retention issues relating to specific service areas and these will continue to be recorded via individual service risks if appropriate. The proposal to archive the risk was recommended and approved by the relevant committees.

## **New Corporate Risks**

### **September 2020**

#### **4.6 Covid-19 - Leisure Management Contracts**

Following a recommendation by the RMG, officers had split the existing operational risk entry relating to the leisure management contracts into two separate risk entries, one relating to the previously recorded ongoing operational risks and the other relating to the significant risks associated with Covid-19. The proposal to introduce the "Covid-19 – Leisure Management Contracts" risk as a new Corporate Risk with a risk score of 8 was recommended and approved by the relevant committees.

### **Changes to Corporate Risk Scores**

- 4.7 As part of the regular review process, officers re-assess the impact and likelihood scores of the Corporate Risks. Section 13 of this report details the definitions used for assessing these scores, which aim to ensure a consistent approach.

### **September 2020**

#### **4.8 Impact of Anti-Social Behaviour on Council Facilities**

The FAR Committee considered a proposal to reduce the risk score from 7 to 5 but recommended that it be retained at the current level. The proposed change reflected the measures that had been put in place and reducing number of incidents. However, it was unclear whether the reduction in incidents was more due to the Covid-19 pandemic. Cabinet subsequently approved that the score should remain at 7. The risk entry specifically relates to anti-social behaviour around Council facilities rather than general anti-social behaviour within the district.

#### **4.9 Novel Coronavirus (Covid-19)**

The FAR Committee considered a proposal to reduce the risk score from 9 to 8 but recommended that it be retained at the current level due to the likelihood of a second wave of the pandemic. Cabinet subsequently approved this. The proposal had been based on data provided in Director of Public Health Herts reports at the time and the mitigation processes in place.

Note that this risk was put in place as a new risk via a delegated decision in March 2020, following the cancellation of the Cabinet meeting due to the Covid-19 pandemic. The FAR Committee had met just before restrictions were put in place and recommended that it was introduced.

### **December 2020**

#### **4.10 Covid-19 - Leisure Management Contracts**

The FAR Committee recommended the proposal to increase the risk score from 8 to 9, in view of the huge financial pressures placed on Stevenage Leisure Ltd by Covid-19. Cabinet subsequently approved this.

### **March 2021**

#### **4.11 Increased Homelessness**

The FAR Committee recommended the proposal to increase the risk score from 5 to 7, in view of the increased levels of homelessness and use of temporary accommodation. Cabinet subsequently approved this.

- 4.12 Section 14 presents a summary risk matrix, which shows the position of each Corporate Risk as at 31 March 2021.

## 5 Review of NHDC's Risk Management Framework

- 5.1 During the year, SIAS undertook an audit of the Risk Management Framework and the report published in November 2020 provided overall satisfactory assurance. The report contained one medium priority recommendation relating to risk reviews. There were also three low priority recommendations relating to the implementation of target risk scores and SMART actions, awareness and understanding of the Risk Management Framework and information reported to the Senior Management Team.
- 5.2 The management response to these recommendations resulted in changes to the previously agreed framework and further clarification of certain processes in framework documentation. These amendments were noted and approved by the FAR Committee and Cabinet in December 2020 and are summarised below:

<b>Risk reviews</b>	Risks with a red status will be reviewed every three months rather than monthly. Risks with an amber status will be reviewed every six months rather than quarterly. Frequencies changed to reflect what is achievable with available resources.
<b>Implementation of target risk scores and SMART actions</b>	As risks are reviewed, target risk scores will be set (where missing). SMART actions will be identified, where appropriate, to manage the risk to the target score. Actions (both business-as-usual and SMART) will be reviewed and updated, as part of the review process. Monthly Pentana Directorate overviews will ensure oversight and highlight if framework requirements are not being met.
<b>Awareness and understanding of Risk Management Framework</b>	The Controls, Risk and Performance Team is responsible for providing training, where required. The Team developed an e – learning module (available on GROW Zone from March 2021), which provides relevant officers with the training they need. This also provides a record of officers who have completed the training.
<b>Information reported to SMT</b>	New and archived operational risks will be reviewed by the Risk Management Group and SMT prior to the Pentana updates being accepted. If archiving of a risk is not accepted, the Pentana entry will be re-activated with the agreed score. Other changes to operational risks will be the responsibility of the assigned officer and should be discussed with the relevant Service Director.

## 6 Risk Awareness and Appetite

- 6.1 NHDC is committed to the proactive identification and management of key external and internal risks that may affect the delivery of objectives. This allows us to be risk aware, understanding that risks may increase as services evolve and more commercial opportunities are developed and undertaken.

- 6.2 NHDC's risk appetite is its willingness to accept risks to realise opportunities and achieve objectives. We must take risks to evolve and to continue to deliver services effectively, deciding what risks we want to take and what ones we want to avoid, whilst acknowledging that we cannot or should not avoid all risks. The Risk Management Framework recognises that risks accompany all new objectives and opportunities and it provides guidance on managing them appropriately.
- 6.3 NHDC will have a range of different appetites for different risks depending on the circumstances and these will vary over time. The Risk Management Framework specifies that we will actively manage and monitor risks scoring 4 or higher on the risk matrix. This includes monitoring the completion of risk management activities and assessing their effectiveness.
- 6.4 As at 31 March 2021, 13 Corporate Risks had a score of 4 or above:
- Brexit (EU Transition) - 9
  - Covid-19 (Leisure Management Contracts) - 9
  - Local Plan - 9
  - Managing the Council's Finances - 9
  - Novel Coronavirus (Covid-19) - 9
  - Cyber Risks - 8
  - Delivery of the Waste Collection and Street Cleansing Services Contract - 8
  - Sustainable Development (Neighbouring Authorities) - 8
  - Impact of Anti-Social Behaviour on Council Facilities - 7
  - Income Generation - 7
  - Increased Homelessness - 7
  - Sustainable Development (National and Regional Planning Issues) - 7
  - External Factors Affecting the Future Provision of Waste Services - 6
- 6.5 Following the Peer Review Challenge carried out in January 2020, the Action Plan agreed by Cabinet set out an action that:  
"There needs to be a strategic approach to the Council's risk appetite, also noting the Peer team's recommendation to 'be brave'. A strategic discussion around risk will be facilitated at the Political Liaison Board, as this is felt to be more of an issue of attitude rather than policy. A review of some existing practices may be needed to achieve this, as it is arguable these have not facilitated the required culture to date."  
The FAR Committee has a role in monitoring how effectively the Council delivers against its stated risk appetite.

## **7 Insurance Review**

- 7.1 Hertfordshire County Council handles the Council's insurance arrangements under a shared service arrangement. The arrangement was subject to an internal audit review in 2019/20 and the final report gave a satisfactory overall assurance level.
- 7.2 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These are each subject to a £10,000 excess that is charged to the responsible service area. Areas that have been subject to a claim are identified and wherever possible, action is taken to prevent future damage to property or personal injury.

- 7.3 Four claims were received from the public relating to the policy year 2020/21 as at 31 March 2021. Although claims are made, these are not always successful for the claimant, as payments of compensation are made only when there is a proven legal liability. Liability has been accepted on one of the claims for property damage and a partial payment made.
- 7.4 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013 and the Council now pays 25% of any new claims dating back to the period that MMI was the Council's insurer (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI were the Council's insurers. As at 31 March 2021, there was one outstanding claim with MMI.
- 7.5 From time to time, insurers make risk improvement recommendations or requirements. It had been recommended that a policy for driving Council vehicles be implemented and a new policy has recently been implemented to clarify how Council vehicles can be used. Following a remote survey on the North Herts Leisure Centre, it is a requirement that fire suppressant equipment is installed above the deep fat fryer and this is in the process of being arranged. Although not currently a requirement for Hitchin Swim Centre, a fire suppressant system for the café is also being considered.

## **8 Business Continuity Plans**

- 8.1 Covid-19 has been keeping the Emergency Planning staff busy since December 2019 and as a result the rest of the workplan has suffered, particularly training and testing. Much of the time away from the direct response to Covid-19 has been spent dealing with its impacts, such as making sure that Emergency Reception Centres are Covid-19 secure in the event of an incident, with new guidelines, instructions and equipment.
- 8.2 The small part time team of 3 x 0.2 FTEs meanwhile has been reduced by 33% as the Herts County Council Emergency Planning expert was withdrawn back to County at a time when most needed. The two remaining officers have worked flexibly and additional hours to reduce the impact. The plan is to review the current arrangements.
- 8.3 Covid-19 has been a somewhat unusual emergency; as the team were more used to dealing with a short event such as a fire, explosion or accident and then focusing on an effective recovery. NHDC is required by law to be able to continue to function throughout a major emergency such as Covid-19 but despite this, NHDC is still performing well. Although the long-term effects of so many staff home working upon corporate effectiveness and team working is, as yet, unknown, there appears to be an increase in mental health/welfare issues.
- 8.4 As a Category 1 responder, NHDC still has legal duties to be able to respond to other emergencies. NHDC entered this pandemic with a pre-prepared emergency Recovery Response Plan which deals with both internal crisis and external emergencies. This was reviewed last year as part of the preparations for Covid-19. NHDC is also part of a countywide Recovery Group.

### **Business Impact**

- 8.5 NHDC has already identified its Core Critical Functions which were reviewed last year during the pandemic and are still appropriate today. They are the business areas which, in the event of a catastrophic failure of all services, would be the first areas needed to be set up based upon identified risks to service delivery, safety, financial loss, performance, reputation and environment. These are:



- Burials
- Careline
- Emergency Planning
- Housing – Dealing with homelessness approaches and rough sleepers
- Customer Service
- Communications
- IT
- Safeguarding – Managing alerts/concerns
- Revenues and Benefits - Payments
- Waste Management - Waste Contract/Loss of Buntingford Depot
- Environmental Health response

8.6 SMT regularly monitor these Core Critical Functions, whilst individual Service Directors retain responsibility for lower scale risks in their areas.

8.7 NHDC's Business Continuity Plan structure is very comprehensive and consists of a number of Corporate Level Plans:

- Main Resilience Plan
- Mass Staff Absence Plan
- Recovery Plan
- Pandemic Plan
- IT Recovery Plan
- Property Services - Loss of Building (currently work in progress)
- Waste Contract - Lot 1

8.8 A storage facility is located at Works Road, Letchworth. This houses emergency planning equipment and IT disaster recovery, and it has suitable facilities to be converted to a secondary Incident Control Centre.

#### **Working in Partnership**

8.9 The Hertfordshire Local Resilience Forum takes a lead role in Business Continuity Planning and therefore promotes a broader understanding of issues. NHDC officers have secured good relationships with local organisations such as Churches Together, Urbaser, Pearce, Johnson Matthey and Garden Square retail. NHDC works closely with its peer authorities on other topics such as cybercrime, reception centres, managing equipment, mutual aid and formerly Brexit.

#### **Business Continuity Promotion**

8.10 In respect of Covid-19, the NHDC Communications team is part of the County Communications Group working directly to the Herts Strategic Coordinating Group tackling the Covid-19 response. This ensures clear, consistent but locally relevant messaging and signposting to the local community and businesses.

8.11 Business Continuity awareness work has all been focused on making sure businesses have been prepared for Brexit and promoting Government and Public Health guidelines and messages as well as signposting to help and advice.

8.12 There is a NHDC Resilience Planning booklet containing advice on Business Continuity. This is available on the NHDC website along with additional information and direction to Hertfordshire County Council for further guidance.

## 9 Health and Safety

- 9.1 A year on from the start of the pandemic, Covid-19 still dominates the health and safety work being carried out.
- 9.2 Working closely with the elections team to help provide a safe election for both staff and the public has been the recent focus. Risk assessments have been produced across the whole activity including how to manage the postal vote opening in the DCO, the distribution of the ballot boxes, and delivering a Covid safe environment for the verification and count to take place at the North Herts Leisure Centre.
- 9.3 There have been some difficult challenges in finding the best controls to manage varying risks at some very diverse venues used as polling stations including the provision of a porta cabin, providing temporary power and welfare facilities and through setting up three separate polling stations within one building. Site inspections have been undertaken in most of the polling stations to ensure all controls are suitable for the buildings and meetings with building owners to offer reassurance on how the risks will be managed.
- 9.4 Going forward, the focus will be on the return to some sort of normal. The reinstatement of meetings in the Council Chamber will be necessary, due to the lapsing of the legislation that allows remote meetings. The return of working in Council buildings will also need to be considered. With the ever changing guidance and how the Government has to manage the pandemic nationally, a flexible approach will be taken when considering the level of controls that will need to be in place but also allow for a quick reaction to any changes implemented by Government.
- 9.5 Staff have adapted well to the changes in their working arrangements in terms of managing their own risks and issues with homeworking and there has been a very good take up on the offer of loan equipment. Results of the DSE assessments that have been completed have not seen a major increase in work related H&S issues. Surprisingly, when the results are compared to the previous three years results, this past year's figures are on par with previous ones, which demonstrates how quickly and successfully staff have adapted.

## 10 Achieving the Key Actions for 2020/21

- 10.1 Last year's Annual Report detailed the following key actions for 2020/21, to enhance the Risk Management Framework:

Action	Due Date
Development and launch of the Risk Management e-learning module.	31/08/2020
Development and launch of the Risk Management toolkit, providing operational guidance on implementing the Risk Management Framework.	30/11/2020

- 10.2 As detailed in Section 5, the Controls, Risk and Performance Team developed an e – learning module during the year and this was available on GROW Zone from March 2021.
- 10.3 A new Risk Management Toolkit intranet page was published in January 2021. Although the initial toolkit only offers limited guidance, this will continue to be developed and enhanced during the coming year and on an ongoing basis.

## 11 Key Actions for 2021/22

- 11.1 The implementation of the following actions in 2021/22 will ensure the continued development of risk management at NHDC:

Action	Due Date
Ensure that 100% of Risk Owners and Risk Assignees complete the Risk Management e-learning module.	30/09/2021
Continue work with Officers and Councillors on what the Council's risk appetite is and ensuring that actions reflect that target.	31/03/2022
Ongoing development of the Risk Management toolkit.	31/03/2022
Annual review of the Risk Management Framework documents.	31/03/2022

## 12 Conclusion

- 12.1 NHDC continued to implement the Risk Management Framework throughout 2020/21, including reviewing and reporting key risks. This, along with the further enhancement of related processes and practices, ensures a comprehensive understanding of the risks faced. This allows us to be risk aware and to determine the most cost-effective way to manage risks and exploit opportunities.

### 13 Definitions

13.1 The following diagram highlights the definitions of likelihood and impact used in the Risk Management Framework.

<p><b>4 Likelihood High (3) Impact Low (1)</b></p> <p>Chance of it happening -More than 60% Consequences - Minor</p>	<p><b>7 Likelihood High (3) Impact Medium (2)</b></p> <p>Chance of it happening - More than 60% Consequences - Noticeable effect on the Council</p>	<p><b>9 Likelihood High (3) Impact High (3)</b></p> <p>Chance of it happening - More than 60% Consequences - Significant impact on the Council</p>
<p><b>2 Likelihood Medium (2) Impact Low (1)</b></p> <p>Chance of it happening – between 20 – 60% Consequences - Minor</p>	<p><b>5 Likelihood Medium (2) Impact Medium (2)</b></p> <p>Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council</p>	<p><b>8 Likelihood Medium (2) Impact High (3)</b></p> <p>Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council</p>
<p><b>1 Likelihood Low (1) Impact Low (1)</b></p> <p>Chance of it happening – less than 20% Consequences - Minor</p>	<p><b>3 Likelihood Low (1) Impact Medium (2)</b></p> <p>Chance of it happening – less than 20% Consequences – Noticeable effect on the Council</p>	<p><b>6 Likelihood Low (1) Impact High (3)</b></p> <p>Chance of it happening – less than 20% Consequences – Significant impact on the Council</p>

## 14 Summary Matrix of Corporate Risks as at 31 March 2021

14.1 As reported to and approved by the FAR Committee and Cabinet in March 2021.

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Impact of Anti-Social Behaviour on Council Facilities</li> <li>• Income Generation</li> <li>• Increased Homelessness</li> <li>• Sustainable Development - National and Regional Planning Issues</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Brexit - EU Transition</li> <li>• Covid-19 - Leisure Management Contracts</li> <li>• Local Plan</li> <li>• Managing the Council's Finances</li> <li>• Novel Coronavirus - Covid-19</li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks</li> <li>• Delivery of the Waste Collection and Street Cleansing Services Contract</li> <li>• Sustainable Development - Neighbouring Authorities</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b>	<b>6</b> <ul style="list-style-type: none"> <li>• External Factors Affecting the Future Provision of Waste Services</li> </ul>
		<b>1 Low</b>	<b>2 Medium Impact</b>	<b>3 High</b>

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**7c REFERRAL FROM FINANCE, AUDIT AND RISK COMMITTEE: 23 JUNE 2021 – REVENUE BUDGET OUTTURN**

***RECOMMENDED TO CABINET:***

- (1) That the report entitled Revenue Budget Outturn 2020/21 be noted;
- (2) That a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million, be approved;
- (3) That the changes to the 2021/22 General Fund budget be approved, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

Cabinet recommends to Council:

- (1) That the net transfer to earmarked reserves, as identified in table 8, of £11.464million, be approved.

***REASONS FOR DECISIONS:***

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2020/21 and directed Members to the Executive Summary at Paragraph 1.1. He advised that the coronavirus pandemic had had a significant impact on the Council's General Fund Balance.

The Service Director – Resources then drew Members' attention to the following items in the report:

- Table 3 - Summary of significant variances on page 101 within the report and explained that some budget areas illustrated an underspend. He also advised that the Strategic Priorities Fund contained funds that had been put aside in order to push forward initiatives to save money;
- There had been an underspend of funds in the Apprenticeship Scheme. In order to catch up, more apprentices would be recruited;
- Table 4 - Efficiency Delivery 2020/21 and advised that it outlined the interest earned on various investments;
- Table 5 - Corporate financial health indicators;
- The amounts in relation to Business Rates would be held in a reserve in order to smooth the impact on the General Fund balance;
- Table 6 - COVID-19 Financial Impact on General Fund showed that the net impact was £1,507;
- It was hoped that funds held in the MHCLG Grants Reserve could be released into the General Fund. However, it was prudent to keep it in there for the time being; and
- Table 10 – Covid-19 Financial Support to Businesses and Individuals highlighted the sheer volume of business grants that have been issued owing to the pandemic.

The following Member asked a question:

- Councillor Terry Hone.

In response to the question raised, the Service Director – Resources advised:

- He would check the variance of the Car Parking Income detailed on Table 3 as the figure did not add up; and
- The Waste and Recycling Net Impact was £524k owing to the various areas of expense such as disposal and the additional processing costs. Furthermore, owing to Covid-19 the garden waste service had been temporarily suspended during the first lock-down.

Councillor Sam Collins commented that it was pleasing to see that Table 6 clarified the Income Guarantee amount and that it showed a 25% shortfall as support from Government covered 75% of relevant losses.

It was proposed and seconded and upon being put to the vote, it was:

***RECOMMENDED TO CABINET:***

- (1) That the report entitled Revenue Budget Outturn 2020/21 be noted;
- (2) That a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million, be approved;
- (3) That the changes to the 2021/22 General Fund budget be approved, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

Cabinet recommends to Council:

- (1) That the net transfer to earmarked reserves, as identified in table 8, of £11.464million, be approved.

***REASONS FOR DECISIONS:***

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.



**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: REVENUE BUDGET OUTTURN 2020/21**

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure as at the end of the financial year 2020/21. The net outturn of £19.379m represents a £866k decrease from the working budget of £20.245million. There are corresponding requests to carry forward £317k (of underspends) to fund specific projects that will now take place in 2021/22. There is a further forecast impact on the 2021/22 base budget of a £10k increase. As itemised and explained in table 3, the most significant variance, a decrease of £321k, relates to the financial support provided to Stevenage Leisure Limited (SLL) to maintain operations during the year. The finance required to allow leisure centres to open as restrictions were eased contributed to a total net additional expenditure due to Covid-19 in the year of £1.5m. Table 6 lists the main financial impacts of the pandemic and shows the extent to which these have been mitigated by additional government funding received.
- 1.2. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.4 and table 4)
  - the use of budget approved to be carried forward from 2019/20 (paragraph 8.5)
  - performance against the four key corporate 'financial health' indicators (paras 8.6-8.7)
  - confirmation of the funding position as at the end of 2020/21 and the financial impact of Covid-19 (paras 8.8 – 8.20)
  - details of earmarked reserves movements and balances (table 9)
  - the support payments made to businesses and those individuals required to self-isolate due to the Covid-19 pandemic (table 10)

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million.
- 2.3. That Cabinet approves the changes to the 2021/22 General Fund budget, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

**That Cabinet recommends to Council**

- 2.4. That Council approves the net transfer to earmarked reserves, as identified in table 8, of £11.464million.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- 3.2. Changes to the Council's balances are monitored and approved.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

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

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

**6. FORWARD PLAN**

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5<sup>th</sup> February 2021.

**7. BACKGROUND**

- 7.1. Council approved the revenue budget for 2020/21 of £15.136million in February 2020. At the end of the financial year the working budget has increased to £20.245million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original approved budget for 2020/21	15,136
Quarter 3 2019/20 Revenue Monitoring report – 2020/21 budget changes approved by Chief Executive under delegated authority as a result of the Cabinet meeting on 24 March 2020 being cancelled due to Covid-19 situation (March 2020)	287
2019/20 Revenue Outturn Report – 2020/21 budget changes approved by Cabinet (June 2020)	403
Quarter 1 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (September 2020)	1,468
Quarter 2 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (December 2020)	2,036
Month 8 revenue monitoring included within 2021/22 budget report – 2020/21 variances approved by Cabinet (January 2021)	291

	<b>£k</b>
Quarter 3 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (March 2021)	624
<b>Current Working Budget</b>	<b>20,245</b>

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter Three monitoring report.

**Table 2 – Service Directorate Budget Allocations**

Service Directorate	Net Direct Working Budget at Q3	Changes approved at Q3	Other Budget Transfers	Net Direct Working Budget at Outturn
	£k	£k	£k	£k
Managing Director	1,866	0	(26)	1,840
Commercialisation	(214)	2	38	(174)
Customers	4,318	(46)	3	4,275
Legal & Community	2,193	(37)	23	2,179
Place	7,155	66	28	7,249
Regulatory Services	1,826	641	40	2,507
Resources	2,477	(2)	(106)	2,369
<b>TOTAL</b>	<b>19,621</b>	<b>624</b>	<b>0</b>	<b>20,245</b>

## 8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2020/21 of £19.379 million (recommendation 2.2). This is a net decrease of £866k on the working budget of £20.245million. Table 3 below highlights the most significant variances, which are generally more than £25k, and contains an explanation for each. The final columns detail if a carry forward into 2021/22 is requested and the estimated ongoing impact of the variances reported:

**Table 3 - Summary of significant variances**

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
External Audit Fees	40	80	+40	Outturn includes accrued additional fees relating to both the 2019/20 and 2020/21 Final Accounts audits for the supplementary audit work required to be undertaken as a result of the impact of Covid-19, as detailed in the Annual Audit Letter presented to Finance, Audit and Risk Committee in January this year.	0	12

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Strategic Priorities Fund	81	0	(81)	A total budget of £100k was made available for the Strategic Priorities Fund in 2020/21, of which a total of £19k was allocated to successful investment bids. It is requested that the remaining £81k is carried forward to enable the Council's Leadership Team to fund invest to save or continuous improvement projects as the opportunity arises in the next financial year.	81	0
Apprenticeship Scheme	93	0	(93)	The impact of the pandemic and the subsequent closure of Council offices has resulted in some delays to the recruitment and induction of apprentices in the current remote working arrangements. A proportion of the underspend will relate to several apprentices who moved into permanent roles before the end of their apprenticeships, and one apprentice who left the council mid-way through their apprenticeship for personal reasons. It is requested that the unspent budget is carried forward and used to increase the number of apprenticeship placements in the next financial year.	93	0
HMRC Tax Liability	0	28	+28	Through a review of the vehicles provided to employees for business purposes, the Council identified that cars provided to staff in the Enforcement and Waste teams created a tax liability. The vehicles were taken home for efficient business reasons but this is considered to be personal use by HMRC, and therefore creates employment tax and VAT liabilities. The Council has notified HMRC of the issue and is seeking an employer voluntary settlement agreement for the tax payable, while the Vehicle Use Policy has been updated to ensure a similar issue does not arise in future years. The accrued cost is the Council's assessment of the relevant tax liability. Should HMRC disagree with the basis of the calculation, the final tax bill could be significantly higher.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Commercialisation – Consultants Expenditure	33	18	(15)	The impact of the pandemic limited the capacity to pursue commercial opportunities and investments, hence the use of consultants during the year was lower than anticipated. However, as the economy reopens and recovers, there are several potential large opportunities that will require specialist expertise and guidance. A carry forward is therefore requested to finance these activities in the next financial year.	12	0
Sales Ledger Bad Debt Provision	26	88	+62	The higher than budgeted contribution to the bad debt provision is indicative of the higher level of outstanding debt at the end of this year. The level of aged debt between 3-12 months old is £223k, compared to £40k at the end of the last financial year. The increase in debt follows the light touch approach adopted to debt recovery to assist customers amidst the Covid-19 pandemic.	0	0
Debt Recovery - Court Fees	8	(33)	(41)	While no court cases have occurred due to the pandemic, the negative expenditure outturn in 20/21 relates to expenditure accrued at the end of 2019/20 for outstanding court costs that had not been invoiced by the court. With no invoices received this year, and in light of the age of the cases to which the fees relate, it is now considered more likely that the relevant invoices will not be raised by the court.	0	0
IT Software Support and Maintenance	683	642	(41)	The budget for 2020/21 included £35k for the investigation of the potential for Artificial Intelligence (AI) software to automate processes to enable customer queries to be dealt with more efficiently and reduce the number of customer contacts. The procurement of the robotics software was completed in March 2021, meaning the software licenses will not commence until 2021/22. A carry forward of the 2020/21 approved investment budget is therefore requested.	35	0
Careline Agency Staff	43	83	+40	Overspend on agency staff is due to a higher than anticipated level of vacancies and the need to ensure key service performance indicators were delivered.	0	0
Premises License Application Income	(32)	(68)	(36)	The over achievement of income relates to an application for a planned large event that was ultimately cancelled.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Green Space Maintenance - Water Rates	20	(6)	(26)	In response to Covid-19, the splash parks were closed for most of the year. This therefore reduced water consumption significantly. The negative outturn is due to credit adjustments in respect of the sites at 50 Burford Way and Avenue Park Recreation Ground. Previous charges had been based on estimated usage while actual consumption was much lower.	0	0
Green Space Maintenance - Howard Park and Gardens	42	6	(36)	This underspend is due to the lower number of activities and events in Howard Park and Gardens over the last 12 months.	0	0
Leisure Centre Management	1,642	1,321	(321)	The working budget expectation was based on a worst-case scenario and represented the maximum level of support approved by Council. Stevenage Leisure Limited were able to manage down costs (e.g. through use of Furlough and reducing utility costs) to reduce the impact.	0	0
Waste Awareness Expenditure (AFM Funded)	97	19	(78)	This budget is used for improving communication and engaging with residents on waste related matters with the aim of improving recycling performance and our environment. The impact of Covid-19 and lockdown has limited opportunities for communication and engagement during the year, as the Government guideline has been to stay at home. With no AFM income receipt expected next year, it is requested that the unspent budget is carried forward to help maintain and improve recycling performance and the environment.	78	0
Comingled Recycling - Haulage and Processing Costs	811	775	(36)	The sale price achieved for some materials improved in February and March. As the processing fees are net of the income generated from the sale of the materials collected, this reduced the processing costs charged to the Council for these two months.	0	0
Comingled Recycling – Recycling Credit Income	(540)	(633)	(93)	Tonnages collected continued to be significantly higher than anticipated in the final quarter of the year. This has increased the eligible amount of recycling credit income from Hertfordshire County Council.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Temporary Accommodation	274	319	+45	The number of households placed in hotels by the Council grew from 40 at the end of December 2020 to over 60 at the end of March. This is due to the latest national lockdown and the government's continuing directive of "Everyone In", whereby local authorities have been asked to accommodate all rough sleepers due to the health risk to the individuals and the wider community (the majority of those accommodated in hotels are single people at risk of rough sleeping due to unstable housing situations). With housing benefit expenditure relating to residents in temporary accommodation not fully reimbursed by government, the increase in the numbers residing in temporary accommodation during the final quarter has increased net expenditure.	0	0
Net Housing Benefit Expenditure	309	271	(38)	The increase in the proportion of housing benefit expenditure eligible for reimbursement through housing benefit subsidy is due to the substantially reduced level of benefit overpayments identified in 2020/21, as initially highlighted in the Quarter One 2020/21 revenue monitoring report. Overpaid amounts are eligible for only 40% reimbursement by government through Housing Benefit subsidy.	0	0
Highways Treeworks	146	86	(60)	Underspend reflects the impact of Covid-19 on contractors' capacity to deliver works requested. Contractors have seen much higher demand generally for their services, while staff have at times been unavailable due to illness and / or required to self-isolate.	0	0
Highways Verge Maintenance – Contribution from HCC	(282)	(296)	(14)	Increase in income follows the new service contract agreed with Hertfordshire Highways.	0	(15)
Car Parking Lines and Signs Maintenance	23	8	(15)	Various projects have been delayed, with works deferred due to the lockdown. It is requested that the unspent budget be carried forward to fund the works deferred in the next financial year.	15	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Parking PCN Bad Debt Provision	162	128	(34)	The lower number of Penalty Charge Notices issued in 2020/21 has contributed to a reduction in the contribution required to the corresponding bad debt provision.	0	0
Car Parking Income				As highlighted throughout the year, parking activity has been severely impacted by the Covid-19 pandemic, with people and businesses changing their normal routines and activities in response.		
Pay-As-You-Use Income	(848)	(826)	+22	The shortfall in parking fees income reflects a slower recovery than assumed in the projection at Quarter Three. The projection had anticipated income receipts in March amounting to 60% of the original budget expectation.	0	0
Car Park Season Ticket Income	(147)	(81)	+66	The annual spike in season ticket income towards the end of the financial year, as annual tickets are renewed, did not materialise in 2020/21. With lockdown measures easing in March, the reduced demand suggests more businesses have chosen to adopt home working routines on a permanent basis. This will be kept under review and an ongoing budget adjustment may be required.	0	0
PCN Income	(343)	(371)	(28)	The working budget assumed a one third reduction in receipts during the final quarter compared to the original budget expectation. While activity at off-street car parks remained low, an increase in the level of parking offences committed on street through the easing of lockdown meant the working budget expectation was surpassed.	0	0
<b>Total Parking Income:</b>	<b>(2,039)</b>	<b>(1,338)</b>	<b>+60</b>		<b>0</b>	<b>0</b>
Covid-19 Community Grants				£150k was made available from the Special Reserve to fund grant payments awarded through the Coronavirus Community Support Fund. At the end of the year, grants totalling £86.2k have been awarded.		
Expenditure	150	86	(64)		0	0
Drawdown from Special Reserve	(150)	(86)	+64		0	0
<b>Total of explained variances</b>	<b>2,341</b>	<b>1,558</b>	<b>(783)</b>		<b>314</b>	<b>(3)</b>
Other minor balances	17,904	17,821	(83)		3	13
<b>Overall Total</b>	<b>20,245</b>	<b>19,379</b>	<b>(866)</b>		<b>317</b>	<b>10</b>



- 8.2. Cabinet are asked to approve the estimated impact on the 2021/22 budget, an overall increase in budget of £327k, which comprises;
- £317k of budget carry-forwards from 2020/21 to 2021/22 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 3 above. This will take the total carry-forward to £719k, after including those reported and approved at quarter 2, month 8 and quarter 3.
  - £10k increase in budget to reflect the estimated net impact in 2021/22 and beyond of variances identified at Outturn. These are shown in the final column of table 3 above.
- 8.3. Cabinet are also asked to approve that £50k of the underspend against the working budget is carried forward to provide cover for work pressures. This will provide absence cover (e.g. to cover for untaken holidays), enable a catch-up on work that was deprioritised to allow a focus on the pandemic and support for new essential projects (e.g. supporting the boundary commission review). This allocation will be used where good value solutions can be identified that provide positive outcomes for the Council and our staff. All requests will be approved by the Leadership Team. See recommendation 2.3.
- 8.4. The original approved budget for 2020/21 (and therefore working budget) included efficiencies totalling £651k, which were agreed by Council in February 2020. Progress in delivering the efficiencies identified has been monitored throughout the year and reported at each quarter. At the end of the year there is a total net underachievement of £120k, as summarised in Table 4 below.

**Table 4 – Efficiency Delivery 2020/21**

<b>Efficiency</b>	<b>Planned Efficiency 2020/21 £k</b>	<b>Efficiency Achieved 2020/21 £k</b>	<b>Net Under / (Over) Achievement £k</b>
Investment Interest Income	(133)	(17)	116
Town Lodge Premises Costs	(68)	(25)	43
AFM Income (receipt in 2020/21 relates to 2019/20 performance)	(156)	(177)	(21)
Document Centre Closure	(107)	(125)	(18)
All other efficiencies	(187)	(187)	0
<b>Total</b>	<b>(651)</b>	<b>(531)</b>	<b>120</b>

- 8.5. The working budget for 2020/21 includes budgets totalling £679k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2019/20 but was delayed into 2020/21. At Quarter Three it was forecast that £222k of the total carried forward would not be spent in 2020/21. At the end of the year, a total of £256k has not been spent in 2020/21, of which £253k has been requested to be carried forward again into 2021/22. The increase in the final quarter relates to the Strategic Priorities Fund and the budget for Commercial Consultants, as itemised and explained in table 3 above.

- 8.6. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 5 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.
- 8.7. At the end of the year, all four indicators are red. The red indicators for Land Charges, Car Parking Fees and Parking Penalty Charge Notices income were initially highlighted and explained at Quarter One, while the amber indicator at Quarters 1 and 2 in respect of planning income was amended to red at Quarter 3. The only significant changes at Outturn from that forecast at Quarter 3, relating to parking fees and parking PCN income, are highlighted and explained in table 3 above.

**Table 5 - Corporate financial health indicators**

<b>Indicator</b>	<b>Status</b>	<b>Original Budget</b>	<b>Outturn</b>	<b>Variance</b>
		<b>£k</b>	<b>£k</b>	<b>£k</b>
Planning Application Fees (including fees for pre-application advice)	Red	(950)	(822)	128
Land Charges	Red	(164)	(142)	22
Car Parking Fees	Red	(1,936)	(826)	1,110
Parking Penalty Charge Notices	Red	(573)	(371)	202

### **FUNDING, RISK AND GENERAL FUND BALANCE**

- 8.8. The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2020 of the amount of New Homes Bonus it could expect to receive in 2020/21 and planned accordingly. For 2020/21 the Council has also used Covid-19 grant funding and made use of reserves.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. As statute requires that Collection Fund income amounts chargeable to the General Fund in year must be those estimates prepared around the time of setting the budget for the year, Collection Fund surpluses or deficits do not impact the 2020/21 funding total / projected general fund balance shown in table 7.

- 8.10. At the end of the year, there is a deficit on the NHDC share of the Council Tax Collection Fund of £313k. This is an increase of £128k on the estimate for the year declared in January 2021 of £185k. The increase in the deficit is primarily due to a change in methodology in the calculation of the bad debt provision required for outstanding Council Tax debt. In previous years, no provision was made for Council tax amounts outstanding in respect of the current year. This year, with current year debt much higher than in previous years due to the impact of Covid-19, it was prudent to make provision for all debt outstanding, with overall collection rates used to estimate the level of provision required, based on the experience of the previous ten years. While the increase in the deficit of £128k does not change the Council Tax funding available in 2021/22, it will impact the level of funding from Council Tax in 2022/23.
- 8.11. As explained in the Revenue Budget Report 2021/22, due to Covid-19 related legislation, the estimated in-year deficit for 2020/21 declared in January is spread over three years from 2021/22, rather than full repayment in 2021/22 (as would have been required under the previous legislation). Of the total £185k deficit declared in January 2021, £23k related to the deterioration in the Collection Fund position in the final quarter of 2019/20. This amount must be repaid in full in 2021/22. The remainder (£162k) was the estimated deficit occurring in the current year and it is the repayment of this amount that will be spread equally over the next three years, as reflected in the budget estimates.
- 8.12. As highlighted in the Revenue Budget Report 2021/22 and at Quarter 3, the reported deficit on the Council Tax Collection Fund is subject to the Local Tax Income Guarantee for 2020/21. With the cash receipt anticipated in the next financial year, the accrued benefit to the Council's General Fund in 2020/21 has been calculated as £141k (as shown in table 7 below). This is a marginal decrease of £9k on the £150k total estimated at Quarter 3. It should be noted that the movement in the Council Tax bad debt provision, which is included in the total reported deficit, is excluded from the calculation of the eligible income amount.
- 8.13. The Council's share of the deficit on the Business Rates Collection Fund at the end of 2020/21 is £10.39m. This is an increase of £1.64m on the £8.75m deficit forecast in the return submitted to Central Government in January 2021 and indicated at Quarter Three. The main reason for the increase in the deficit is an increase in the provisions made for both bad debts (£700k increase) and the cost of successful business rates appeals (£735k increase), following a review by external consultants. The increase in the appeals provision follows a change to the previous assumption that all appeals would by now have been lodged, given the length of time that has elapsed since the 2017 revaluation. The consultants advised that, based on their analysis of the timing of appeals submitted following previous revaluations, for example in 2010 and 2005, this may well not be the case. The revised calculation assumes that the cost of appeals against the 2017 listing will ultimately be in line with the initial assessment by MHCLG, with the total provision required based on an annual cost of appeals equivalent to 4.7% of collectable rates income. The consultant review also prompted a revised calculation of the bad debt provision, similar to that described for Council Tax in 8.10 above, with provision now made for outstanding debt relating to the current year based on collection rates for previous years.

- 8.14. The overall size of the deficit is primarily due to the additional business rate reliefs introduced by government in response to the COVID-19 pandemic. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The Council is eligible to receive total compensation of £10.04m for reliefs in 2020/21, which includes £7.82m for the additional reliefs introduced by government in response to the COVID-19 pandemic. The Council holds the grant received in a reserve to fund the repayment in future years of deficits recorded. Some of the amount held in reserve was used in 20/21 to fund the repayment to the Collection Fund of the deficit originally estimated for 2019/20, as shown in table 7.
- 8.15. The Business Rates Collection Fund deficit for 2020/21, after adjusting for business rate reliefs, is £2.57m (£10.39m total deficit less £7.82m relating to additional reliefs). This amount is also subject to the Local Tax Income Guarantee for 2020/21. The accrued value of the Income Guarantee in 2020/21 is £1.232m. This amount has been transferred to the Grant reserve and will be used to fund the repayment of the deficit next year. The increases to provisions for bad debts and appeals at the end of the year increased the compensation amount by approximately £800k.
- 8.16. The spread over the next three years of the repayment of the Business Rates Collection Fund deficit for 2020/21 is based on the estimates prepared in January 2021 and therefore the impact remains unchanged from that detailed at Quarter 3. The element of the deficit relating to the additional reliefs, declared in January as £7.5m, is required to be repaid in full in the following financial year. The repayment of the remainder of the deficit, estimated in January to be approximately £1.25m, will be spread over three years from 2021/22, with the relevant amount (£416k) included in each calculation of the surplus/ deficit recorded for the two subsequent financial years. A contribution from the General Fund to the Business Rates Collection Fund of £7.9m (total of £7.5m and £416k) is therefore required in the next financial year for the estimated deficit in this year. The £1.64m difference between the £8.75m deficit estimated in January and the £10.39m recorded at the end of the year will be incorporated in the calculation of the surplus/ deficit for 2021/22, with the additional contribution to the Collection Fund made in 2022/23. The contributions required to the Collection Fund will be funded from the grant held in reserve.
- 8.17. The Council is also subject to a business rates levy from Central Government as NHDC collects more in business rates than the baseline need determined by Central Government. In 2020/21 NHDC is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, as has been the case in prior years. At the time of writing Hertfordshire County Council, the Pool lead authority, has not yet notified NHDC of the final outcome for 2020/21. The contribution required to the Pool to meet the total levy payable for the pooled authorities will be funded from the grant held in reserve.

- 8.18. The timing of the impact on the General Fund of the detail in paragraphs 8.8 to 8.16 is summarised below. The amounts in relation to Business Rates will be held in a reserve to smooth the impact on the General Fund balance. The overall income position for Business Rates reflects that the Council budget based on the baseline. This amount will be reduced by any levy payable, and will also be impacted by business closures, which could result in the recovery of s31 grants.

<b>General Fund impact by year (£000)</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Overall impact</b>
Council Tax deficit declared in January spread over 3 years	0	77	54	54	185
Additional Council Tax deficit at end of year	0	0	128	0	128
Tax guarantee scheme – Council Tax	(141)	0	0	0	(141)
<b>Council Tax Impact</b>	<b>(141)</b>	<b>77</b>	<b>182</b>	<b>54</b>	<b>172</b>
Compensation for Business Rate Reliefs-held in reserve (s31 grants)	(10,040)	0	0	0	(10,040)
Tax guarantee scheme – Business Rates	(1,232)	0	0	0	(1,232)
Business Rates deficit declared in January due to reliefs	0	7,500	0	0	7,500
Business Rates deficit declared in January - remainder	0	416	417	417	1,250
Additional deficit at end of year	0	0	1,640	0	1,640
<b>Business Rate impact</b>	<b>(11,272)</b>	<b>7,916</b>	<b>2,057</b>	<b>417</b>	<b>(882)</b>

- 8.19. The Council has received non-ringfenced emergency grant funding in 2020/21 from Government of £1.602m in relation to the Covid-19 pandemic. In addition, MHCLG has invited Local Authorities to apply for compensation for loss of sales, fees and charges income due to the impact of Covid-19 affecting demand. At Quarter Three the value of the income compensation was forecast to be around £1.85million. The total amount expected at the end of the year is £1.9m, of which £620k, relating to the period December 2020 to end of March 2021, has been accrued and remains subject to confirmation from MHCLG.
- 8.20. At Quarter Three, the overall full year net impact of Covid-19 was estimated to be around £1.65m. At the end of the year, the net direct financial impacts of Covid-19 totals £1.5m. This reduction is primarily due to the additional financial support to SLL being less than the expectation at Quarter Three, as highlighted and explained in table 3. Table 6 below breaks down by budget area the main impacts of Covid-19 and the extent to which these impacts have been compensated by additional Government funding.

**Table 6 – COVID-19 Financial Impact on General Fund**

Budget Area	Net Impact £k	Covered by Income guarantee *	Estimated Sales, Fees and Charges (SFC) Contribution £k	Balance not covered by SFC contribution £k
Careline Expenditure	63	No	0	63
Community Support Grants	86	No	0	86
Court Summons Income	237	No	0	237
Homeless Accommodation	205	No	0	205
HTH/ Museum Income	138	Yes	95	43
Investment Income	116	No	0	116
Land Charges Income	22	Yes	10	12
Leisure Centres	1,899	Part- as majority relates to expenditure	576	1,323
Parking Income	1,590	Yes	1,079	512
Planning Income	128	Yes	54	74
Sales Ledger Bad Debt Provision	62	No	0	62
Trade Waste and Recycling	151	Yes	72	79
Waste and Recycling	524	No	0	524
Other	143	Part- as mix of income and expenditure	13	130
<b>Total</b>	<b>5,364</b>		<b>1,899</b>	<b>3,465</b>
Less: non-ringfenced grant funding				(1,602)
Less: New Burdens Funding				(270)
Less: Funding from Special Reserve				(86)
<b>Net General Fund impact</b>				<b>1,507</b>

\* Support from Government covers 75% of relevant losses that are in excess of 5% of the original budget.

8.21. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should however also be noted at this point that the Statement of Accounts is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

**Table 7 – General Fund impact**

	Working Budget	Outturn	Difference
	£k	£k	£k
<b>Brought Forward balance (1<sup>st</sup> April 2020)</b>	<b>(9,378)</b>	<b>(9,378)</b>	<b>-</b>
Net Expenditure	20,245	19,379	(866)
Funding (Council Tax, Business Rates, NHB)	(15,576)	(15,571)	5

Contribution to Funding Equalisation Reserve	329	329	0
Contribution to Collection Fund	294	294	0
Funding from Reserves (including Business Rate Relief Grant)	(294)	(294)	0
Covid-19 un-ringfenced government grant funding	(1,602)	(1,602)	0
Government Compensation for Covid-19 related income losses (Working budget= compensation applied at quarter 3)	(1,750)	(1,899)	(149)
2020/21 Council Tax Guarantee Income	(150)	(141)	9
<b>Carried Forward balance (31<sup>st</sup> March 2021)</b>	<b>(7,882)</b>	<b>(8,883)</b>	<b>(1,001)</b>

8.22. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,351k, and at the end of the financial year a total of £882k has come to fruition. The identified risk realised in the final quarter relates to

- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £45k.

**Table 8 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,351</b>
Known financial risks realised in Quarter 1	(189)
Known financial risks realised in Quarter 2	(244)
Known financial risks realised in Quarter 3	(404)
Known financial risks realised in Quarter 3	(45)
<b>Remaining allowance for known financial risks</b>	<b>469</b>

## **EARMARKED RESERVES**

8.23. The Council has a number of earmarked reserves, which can be used to fund revenue expenditure. These are detailed in Table 9 below. A total of £13.599million has been contributed to the reserves in 2020/21 and a total of £2.135million has been transferred out of the reserves to the General Fund. The level of contribution to reserves is mainly due to the transfer of compensation (Section 31 grants) received for business rate reliefs introduced in the year, as explained in paragraph 8.14.

8.24. Cabinet are therefore asked to recommend to Council that the net contribution to reserves of £11.464million be approved (recommendation 2.4), which leaves a total balance in earmarked reserves at 31 March 2021 of £20.808million.

**Table 9 – Earmarked Reserves**

	<b>Balance at 1 April 2020</b>	<b>Contributions to reserve</b>	<b>Transfers out of reserves</b>	<b>Balance at 31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cemetery Mausoleum Reserve	167	10	(2)	175
Childrens Services Reserve	57	43	(9)	91
Climate Change Grant Reserve	26	0	(1)	25
Funding Equalisation Reserve	68	329	0	397
Growth Area Fund Reserve	53	0	0	53
Homelessness Grants Reserve	413	276	(208)	481
Housing & Planning Delivery Reserve	1,069	54	(101)	1,022
Information Technology Reserve	78	0	(20)	58
Insurance Reserve	34	0	0	34
Land Charges Reserve	94	0	(28)	66
Leisure Management Maintenance Reserve	77	0	(51)	26
MHCLG Grants Reserve	3,741	11,725	(1,118)	14,348
Museum Exhibits Reserve	13	1	0	14
Neighbourhood Plan Reserve	78	20	0	98
Paintings Conservation Reserve	11	0	0	11
S106 Monitoring Reserve	19	0	(19)	0
Special Reserve	1,175	0	(432)	743
Street Name Plates	16	0	0	16
Syrian Refugee Project	272	194	(16)	450
Taxi Licences Reserve	15	0	(8)	7
Town Centre Maintenance	53	8	0	61
Traffic Regulation Orders	346	40	0	386
Waste Reserve	730	19	0	749
Waste Vehicles Reserve	554	359	0	913
<b>Total Revenue Reserves</b>	<b>9,344</b>	<b>13,599</b>	<b>(2,135)</b>	<b>20,808</b>

**COVID-19: PAYMENTS TO BUSINESSES AND ISOLATING INDIVIDUALS**

8.25. As part of the Government's economic support for Covid-19, the Council has been required to distribute a number of business grants. The Council has also been required to make self-isolation payments to individuals on low incomes. In both cases this has involved developing specific schemes (within the criteria set out by Government), setting up application processes, determining eligibility and making payments. Table 10 below confirms the amounts that have been distributed as at the time of writing this report (as at 6<sup>th</sup> June 2021).



**Table 10 – Covid-19 Financial Support to Businesses and Individuals**

Support Schemes	Payments	
	Number	Value (£)
Small Business Grant Fund and Retail, Hospitality and Leisure Businesses Grant Fund (First National Lockdown)	2,077	26,125,000
Local Authority Discretionary Grant Fund (First National Lockdown)	220	1,445,600
Local Restrictions Support Grant (November 2020 National Lockdown)	785	1,299,334
Additional Restrictions Discretionary Grant (Ongoing from November 2020)	1,455	3,124,738
Local Restrictions Support Grant (Hertfordshire in Tier 2)	447	314,412
Local Restrictions Support Grant (Hertfordshire in Tier 4)	739	734,230
Wet Pub Christmas Grants	70	70,000
Business Support Packages (4 <sup>th</sup> January – 15 <sup>th</sup> February 2021)	806	5,939,097
Local Restrictions Support Grant (16 <sup>th</sup> February – 31 <sup>st</sup> March 2021)	794	2,051,644
Restart Grants (Non-Essential Retail and Hospitality, Leisure, Personal Care & Gyms)	683	5,147,387
<b>Total Payments to Businesses</b>	<b>8,076</b>	<b>46,251,442</b>
<b>Track &amp; Trace Payments to Isolating Individuals</b>	<b>310</b>	<b>155,000</b>

\* Businesses will have received payment from more than one grant.

## 9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.
- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 9.4. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

- 9.5. Section 151 of the Local Government Act 1972 requires every local authority to 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. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer.
- 9.6. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

## **10. FINANCIAL IMPLICATIONS**

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2. The General Fund balance of £8.883million (table 7) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

## **11. RISK IMPLICATIONS**

- 11.1. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

## **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. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and "go local" policy do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

**16. APPENDICES**

16.1. None.

**17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

18.1. None.

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**7d REFERRAL FROM FINANCE, AUDIT AND RISK COMMITTEE: 23 JUNE 2021 – INVESTMENT STRATEGY END OF YEAR**

**RECOMMENDED TO CABINET:**

- (1) That the expenditure of £1.883million in 2020/21 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of £0.001million, be noted;
- (2) That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £0.522million (£0.527million re-profiled from 2020/21 and £0.005million from 2021/22 re-profiled into 2020/21), be approved;
- (3) That the position of the availability of capital resources, as detailed in table 4 paragraph 8.8 and the requirement to keep the capital programme under review for affordability, be noted;
- (4) That the application of £1.224million of capital receipts towards the 2020/21 capital programme and the drawdown of £0.417million from set aside receipts, paragraph 8.8 refers, be approved;
- (5) That the position of Treasury Management activity as at the end of March 2021, be noted;

Cabinet recommends to Council:

- (1) That the report entitled Investment Strategy (Capital and Treasury) End Of Year Review 2020/21, be noted;
- (2) That the actual 2020/21 prudential and treasury indicators be approved; and
- (3) That the annual Treasury Report for 2020/21, be noted.

**REASONS FOR DECISIONS:**

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

The Service Director – Resources drew Members' attention to the following items in the report:

- Table 1- Current Capital Estimates;
- Table 2 which listed the schemes in the 2020/21 Capital Programme that would commence or continue in 2021/22;

- The Disabled Facilities Grants funding came from amounts set aside from previous underspends against the grant. The level of overspend appeared to be a contravention of financial regulations. However, the level of overspend should be viewed in the context of the overall funding available and the fact that funding is received directly by Herts Home Improvement Agency (HCC) on NHDC's behalf;
- Capital schemes that have been completed during 2020/21 as detailed at paragraph 8.7;
- Table 4 - Funding the Capital Programme detailed how the Council would fund the 2020/21 capital programme. Most funding would come from capital receipts and s106 receipts;
- The Council generated £0.184M of interest during 2020/21; and
- To try and limit the reduction of investment income from short fixed term investments in 2021/22, the Council will seek to invest in Property Funds and Multi Asset Income Funds.

The following Member asked questions:

- Councillor Terry Hone.

In response, the Service Director – Resources advised that

- There was nothing in the capital programme that needed writing off;
- Overseas investment was allowed. However, there had not been any owing to the lack of opportunity and availability;
- In terms of PWLB, £405,000 remained outstanding.

It was proposed and seconded and upon being put to the vote, it was:

***RECOMMENDED TO CABINET:***

- (1) That the expenditure of £1.883million in 2020/21 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of £0.001million, be noted;
- (2) That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £0.522million (£0.527million re-profiled from 2020/21 and £0.005million from 2021/22 re-profiled into 2020/21), be approved;
- (3) That the position of the availability of capital resources, as detailed in table 4 paragraph 8.8 and the requirement to keep the capital programme under review for affordability, be noted;
- (4) That the application of £1.224million of capital receipts towards the 2020/21 capital programme and the drawdown of £0.417million from set aside receipts, paragraph 8.8 refers, be approved;
- (5) That the position of Treasury Management activity as at the end of March 2021, be noted;

Cabinet recommends to Council:

- (1) That the report entitled Investment Strategy (Capital and Treasury) End Of Year Review 2020/21, be noted;

- (2) That the actual 2020/21 prudential and treasury indicators be approved; and
- (3) That the annual Treasury Report for 2020/21, be noted.

***REASONS FOR DECISIONS:***

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

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**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2020/21**

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

**1 EXECUTIVE SUMMARY**

- 1.1 As at the end of financial year 2020/21, there is a reduction in Capital spend compared to quarter 3 of **£0.521million**. The majority of this change is due to revisions to the profile of planned project spend, with **£0.527million** that will now instead be incurred in 2021/22.
- 1.2 During the year the Council has generated **£0.184million** of interest from its investments. This is slightly below the budgeted total of £0.185million. The Council continued to invest in smaller Building Societies (subject to checks that compare the size of the Society with that of the investment).
- 1.3 The Council has repaid £0.018million of borrowing during the year as it has matured. The Council has £0.405million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.
- 1.4 The Council complied with its legislative and regulatory requirements throughout the year.
- 1.5 The forecast for 2021/22 is that investment income will continue to reduce due to market conditions and the use of cash balances to fund the capital programme. To attempt to offset the reduction in interest received from short fixed term investments, the Council is looking at options to diversify its portfolio by investing in longer term, Property Funds and Multi Asset Income Funds. Paragraph 8.20 refers.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes expenditure of **£1.883million** in 2020/21 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of **£0.001million**.

- 2.2 That Cabinet approves the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by **£0.522million** (£0.527million re-profiled from 2020/21 and £0.005million from 2021/22 re-profiled into 2020/21).
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.8 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet approves the application of **£1.224million** of capital receipts towards the 2020/21 capital programme and the drawdown of £0.417million from set aside receipts, paragraph 8.8 refers.
- 2.5 Cabinet is asked to note the position of Treasury Management activity as at the end of March 2021.
- 2.6 Cabinet is asked to recommend this report to Council and ask Council to:
  - 1) Approve the actual 2020/21 prudential and treasury indicators.
  - 2) Note the annual Treasury Report for 2020/21.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

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

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

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

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are quarterly updates with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 5th February 2021.

## **7. BACKGROUND**

- 7.1 In February 2020, Council approved the Integrated Capital and Treasury Strategy for 2020/21 to 2029/30.
- 7.2 The Medium Term Financial Strategy for 2020 to 2025 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.
- 7.3 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2022/23. The service includes:
- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
  - Information on investment counterparty creditworthiness
  - Technical updates
  - Access to a Technical Advisory Group.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Council has £129.0 million of capital assets that it currently owns. This has increased from £117.0 million as at 31 March 2020. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set.

## Capital Programme 2020/21

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the actual spend from 2020/21 to 2030/31 and the funding source for each capital scheme.
- 8.3 The Outturn Capital expenditure for 2020/21 is **£1.883million**. This is a reduction of **£0.521million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into future years and underspend on projects. Table 1 below details the changes from what was reported at Quarter 3.

**Table 1- Current Capital Estimates**

	2020/21 £M	2021/22 £M	2022/23 to 2030/31 £M
Original Estimates approved by Full Council February 2020	9.357	5.405	26.650
Changes approved by Cabinet in 3rd Qrt 2019/20	3.801	0	0
Changes approved by Cabinet in 2019/20 Capital Outturn report	0.277	0	0
Revised Capital estimates at start of (2020/21)	13.435	5.405	26.650
Changes approved by Cabinet in Covid-19 Financial Impacts report 21/07/20	-2.809	1.713	1.096
Executive Member – Finance and I.T. approved additional Expenditure on 4 schemes	0.180	0	0
Changes at Q1	-0.287	0.296	0
Executive Member – Finance and I.T. approved additional Expenditure on 3 schemes	0.108	0	0
Changes approved by Council in Covid-19 Financial Impacts report 24/09/20	0.350	0	0
Changes at Q2	-7.040	7.022	0
Changes approved by Council 11/02/21	0.071	0.283	1.287
Changes at Q3	-1.604	1.052	0.537
Changes since Q3 (as detailed in this report)	-0.521	0.522	0
<b>Outturn 2021/21</b>	<b>1.883</b>	<b>16.293</b>	<b>29.570</b>

- 8.4 Table 2 lists the schemes in the 2020/21 Capital Programme that will start or continue in 2021/22:

**Table 2: Scheme Timetable Revision:**

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2020/21 Working Budget £'000	2020/21 Outtrun £'000	Difference £'000	Reason for Difference	Estimated impact on 2021/22 onwards £'000
Provide Hsg at Market Rents	350	225	-125	Due to the refurbishment of Harkness Court taking longer than originally anticipated, the remaining money will be spent in 2021/22. The estimate completion date is June 2021.	125
Renovate Howard Park Play Area	75	0	-75	Delay was due to supply issues with the new equipment from Europe. If we had gone ahead it would have meant that the play area would be closed for the renovation at the potentially busiest part of the year as the splash pads open on the 1st May. We have therefore decided to hold back the works until September when the splash parks close and the schools have returned.	75
Email Encryption Software	45	4	-41	This piece of work has been delayed while alternative options for enhanced email encryption are explored, this will be reviewed in Q3/Q4 once our services have migrated to the cloud. As part of this review we are also seeking input from our auditors (BDO) on encrypting data in the cloud.	41
NH Museum Platform Lift	40	0	-40	A potential low cost solution has been found to repairing the lifts (revenue spend) before spending this budget on completely new lifts. We are exploring this option currently, but if this proves unsuccessful we will still require the budget to invest in new lifts.	40
Private Sector Grants	60	30	-30	Spend on this budget is demand led. Due to last	30

Scheme	2020/21 Working Budget £'000	2020/21 Outtrun £'000	Difference £'000	Reason for Difference	Estimated impact on 2021/22 onwards £'000
				year's lock down restrictions and the fact that those residents who qualify for these grants are in the main from the vulnerable groups, a number of cases were cancelled by the residents as they did not wish people inspecting their properties during the Covid crisis. As part of the process the required works and residents' financial situation must be diligently verified before a grant is approve. As a result of a number of cancellations we did not manage to process the projected number of cases	
Total Minor (under £25k) slippage on other projects	938	727	-211		211
<b>Total Revision to Budget Profile</b>			<b>-522</b>		<b>522</b>

8.5 The Council received £750k grant for improving the energy performance of park homes. The BEIS average cap per unit is £10k. Following Grenfell, the fire officer advice is we use a mineral core to external cladding rather than an expanded polystyrene core. This pushes the cost above £10k per unit so it is proposed that the £30K slippage from the Private Sector Grants is used to finance the expenditure that is not covered by the grant. This is covered by the proposed 2021/22 spend detailed in the table above.

8.6 There are also changes to the overall costs of schemes in 2020/21. These changes total a net increase of £0.001million and are detailed in Table 3.

**Table 3: Changes to Capital Schemes Commencing in 2020/21:**

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	202/21 Working Budget £'000	2020/21 Spend £'000	Difference £'000	Comments
Section 106 Project – All weather Hockey pitch at Royston	129	0	-129	The £129K budget is for the provision of an All Weather Hockey Pitch on the Heath, Royston. As the Heath is a public open space permission will not be granted to create an enclosed

<b>Scheme</b>	<b>202/21 Working Budget £'000</b>	<b>2020/21 Spend £'000</b>	<b>Difference £'000</b>	<b>Comments</b>
				area on the Heath. Officers are looking to see if the S106 funds can be used at an alternative location in Royston. Also in order for the scheme to go ahead additional external funding is still to be secured.
Disabled Facilities Grants	50	82	32	In 2019/20 the Council spent 100% of its allocated Disabled Facilities Grant. In 2020/2021, a discretionary payment was made to allow a specific project to be undertaken in consultation with the Executive Member. There has also been continued pressure on the budget from high demand for adaptations such as stairlifts and accessible bathrooms. Additional funding was provided by the Council to the Herts Home Improvement Agency (HCC) to ensure these works were able to be undertaken within the financial year. This funding came from amounts set aside from previous underspends against the grant. On the face of it this level of overspend is a contravention of financial regulations, as prior approval should have been sought from Cabinet. However, the level of overspend should be viewed in the context of the overall funding available, the vast majority of which is the DFG (£840k) that is received directly by HCC on our behalf. Extra reporting will be put in place to monitor spend in 21/22 will be monitored as the Council's ability to further top up the grant is becoming limited and a policy approach to applications may be required.
<b>Other minor changes</b>			<b>98</b>	
<b>Total revision to scheme spend</b>			<b>1</b>	

8.7 The following capital schemes have been completed during 2020/21:

- NHLC Gym Members Changing Room
- NHLC Circulation Pipework
- Norton Common Wheeled Sports Facility
- Walsworth Common Pitch Improvements
- Bancroft Recreation MUGA
- Land Purchase adjacent to Grange Community Centre
- Various IT Projects

#### Capital Programme 2020/21 Funding onwards

8.8 Table 4 below shows how the Council will fund the 2020/21 capital programme.

**Table 4: Funding the Capital Programme:**

	2020/21 Balance at start of year £M	2020/21 Additions £M	2020/21 Funding Used £M	2020/21 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	7.455	0.712	(1.641)	6.526
S106 receipts			(0.122)	
Other third party grants and contributions			(0.120)	
Planned Borrowing			0	
<b>Total</b>			<b>(1.883)</b>	

8.9 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

8.10 The Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2021 was negative £5.180 million (negative £5.60 million 31<sup>st</sup> March 2020). As the CFR is negative the Council does not have a need to borrow to fund capital spend. However, should the Capital programme be fully spent in 21/22 there will be a potential need to borrow £5.2M, which will have an impact on the General Fund by way of a Minimum Revenue Provision (MRP) and interest payments. This need to borrow will mainly be dependent on spend in line with the property acquisition and development strategy. It is expected that any such spend will generate income that will exceed the cost of capital.



## Treasury Management 2020/21

8.11 The Council has operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. The £5 million limit on the Council's current account was exceeded during the 1st quarter to ensure the Council had sufficient funds to pay Business Support Grants and to ensure that cash was available to respond more generally to the implications of Covid-19. The Chief Executive made an urgent decision on the 9th April to temporarily remove the limit on amounts held in the Council's current account to facilitate the grant payments. The current account limit of £5m has since been reinstated. The approved investment limits within the Investment Strategy were breached during October 2020. The limit on investments placed with Building Societies was exceeded by £2.0 million for 19 days in October and was reported to Members in the Third Quarter report.

8.12 The Council generated £0.184M of interest during 2020/21. The average interest rate agreed on new deals during the year was 0.17%. The average interest rate on all outstanding investments at the 31<sup>st</sup> March was 0.41%.

8.13 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.

8.14 **Security Risk** – The possibility that other parties fail to pay amounts due to the Authority.

The Council's counterparty list comprises UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB, non-UK banks with a credit rating greater than AA- with a AAA Country rating, other Local Authorities and Public Corporations. It also includes smaller Building Societies that do not have a credit rating.

8.15 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.

8.16 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.

Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risks of long term deals are:

- (i) The longer the time period the longer the investment is exposed to default.
- (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures.

8.17 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy, which allows no more than £12M of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council didn't have any investments invested for longer than 365 days.

- 8.18 **Interest (Yield)** - This year has continued to prove challenging to find counterparties willing to pay a reasonable return on cash investments, either long or short term. The uncertainty around interest rate changes has continued in 20/21, with the latest predictions indicating that there will be no increase in base rate during 2021/22.
- 8.19 The investments outstanding at the 31 March 2021 were £42.5million. This compares to a balance of £29.5million at 31 March 2020. Investment in capital projects will continue during 2021/22 and combined with declining returns for new investments, means that the estimated investment interest for 2021/22 was set at £0.103million.
- 8.20 To try and limit the reduction of investment income from short fixed term investments in 2021/22, the Council will seek to invest in Property Funds and Multi Asset Income Funds. These type of funds are most effective over the longer term with a minimum investment period of five years. A maximum of £4.0M will be invested across the two investment types. Work has begun in collaboration with the Council's Treasury advisors, Link, to select the most appropriate funds for the Council to invest in.

## **9. LEGAL IMPLICATIONS**

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 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."
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be £4.113million higher than the budgeted £45.833million.

- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £1k per year in interest (0.1%). The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2021 was negative £5.18million. This may turn positive next year if the capital programme is fully spent.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

## **11. RISK IMPLICATIONS**

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software).
- 11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

## **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 2020/21 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 resource implications.

## **16. APPENDICES**

- 16.1 Appendix A - Capital Programme Detail including Funding 2020/21 onwards.  
16.2 Appendix B - Treasury Management Update.

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)  
<https://democracy.north-herts.gov.uk/documents/s9835/Appendix%20A%20-%20Investment%20Strategy.pdf>



Project	Service Directorate	Spend / Forecast Spend							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 - 2030/31 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Hitchin Town Hall Additional Bar & Glassware Infrastructure	Commercial	19,700	5,300	0	0	0	0	0	0	0	0	0	25,000
Hitchin Town Hall Sprung Floor Replacement	Commercial	0	75,000	0	0	0	0	0	0	0	0	0	75,000
Howard Gardens Splashpad	Place	0	0	35,000	0	0	0	0	0	0	0	0	35,000
Ickneild Way Cemetery Footpaths	Place	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Infrastructure Hardware	Customers	297,800	2,200	28,000	0	278,000	25,000	348,000	0	0	0	0	979,000
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	0	0	0	50,000	0	0	0
Ivel Springs Footpaths	Place	0	0	10,000	0	0	0	0	0	0	0	0	10,000
John Barker Place, Hitchin	Regulatory	0	0	1,096,000	0	0	0	0	0	0	270,400	0	825,600
Lairage Multi-Storey Car Par - Structural wall repairs	Resources	3,500	117,200	0	0	0	0	0	0	0	0	0	120,700
Land Purchase Adj Grange CC	Commercial	20,000	0	0	0	0	0	0	0	0	0	0	20,000
Laptop Purchases for Officers	Customers	0	55,000	0	0	55,000	0	110,000	0	0	0	0	220,000
Laptops - Refresh Programme	Customers	92,700	46,900	7,000	7,000	80,000	5,000	70,000	0	0	0	0	308,600
Leisure Condition Survey Enhancements	Place	5,000	82,000	0	107,000	0	0	0	0	0	0	0	194,000
Letchworth Multi-storey Car Park - parapet walls, soffit & decoration	Resources	4,800	129,000	0	0	0	0	0	0	0	0	0	133,800
Letchworth multi-storey car park - lighting	Resources	4,400	13,600	0	0	0	0	0	0	0	0	0	18,000
Letchworth Outdoor Pool Boiler Replacement	Place	0	40,000	0	40,000	0	0	0	0	0	0	0	80,000
Match Funding for Electric Vehicle charging	Regulatory	0	100,000	0	0	0	0	0	0	50,000	0	0	50,000
Members Laptops Refresh Programme	Customers	0	0	0	60,000	0	0	120,000	0	0	0	0	180,000
Microsoft Enterprise Software Assurance	Customers	14,900	0	390,000	0	0	426,000	462,000	0	0	0	0	1,292,900
Mrs Howard Hall Replacement Boiler & Windows	Resources	0	63,000	0	0	0	0	0	0	0	0	0	63,000
Museum Storage Solution	Commercial	7,300	1,192,700	0	0	0	0	0	0	0	0	0	1,200,000
Newmarket Road Royston Skatepark & Access	Place	0	0	0	90,000	0	0	0	0	0	0	0	90,000
NH Museum & Community Facility	Commercial	0	48,300	0	0	0	0	0	48,300	0	0	0	0
NH Museum Platform Lift Solutions	Commercial	0	40,000	0	0	0	0	0	0	0	0	0	40,000
NHLC Boiler Replacement	Place	0	0	200,000	0	0	0	0	0	0	0	0	200,000
NHLC Dryside Changing Area	Place	0	0	100,000	0	0	0	0	0	0	0	0	100,000
NHLC Interactive Water Feature	Place	0	0	0	0	0	0	120,000	0	0	0	0	120,000
NHLC Pool Flume Replacement	Place	0	0	0	0	0	0	150,000	0	0	0	0	150,000
NHLC Reception Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	0	30,000
NHLC Refurbish Gym Floor	Place	46,800	3,200	0	0	0	0	0	0	0	0	0	50,000
NHLC Refurbishment of Gym Members Changing Rooms	Place	179,400	0	0	0	0	0	0	0	0	0	0	179,400
NHLC Replace Circulation Pipework	Place	58,700	0	0	0	0	0	0	0	0	0	0	58,700
NHLC Replacement of Sport Hall heating system	Place	0	30,000	0	0	0	0	0	0	0	0	0	30,000
NHLC Sauna Steam Refurbishment	Place	0	0	0	250,000	0	0	0	0	0	0	0	250,000
Northern Transfer Station	Place	0	0	0	0	1,600,000	0	0	0	0	0	0	1,600,000
Norton Common Footpaths	Place	0	0	0	10,000	0	0	0	0	0	0	0	10,000
Norton Common Wheeled Sports improvements	Place	8,300	0	0	0	0	0	0	0	0	8,300	0	0
Off Street Car Parks resurfacing and enhancement	Resources	13,600	179,400	56,100	8,000	0	0	0	0	0	0	0	257,100
Oughtonhead Common Footpaths	Place	0	0	0	20,000	0	0	0	0	0	0	0	20,000
Park Recycling Litter Bins	Place	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Parking Charging, Payments & Management	Regulatory	0	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	0	0	0	0	0	150,000	150,000	0	0	0	0	300,000
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	38,500	36,000	20,000	0	0	0	0	0	81,500	0	0	13,000
PC's - Refresh Programme	Customers	39,300	13,000	8,000	7,000	13,000	7,000	34,000	0	0	0	0	121,300
Playground Renovation District Wide	Place	0	180,000	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,800,000

Project	Service Directorate	Spend / Forecast Spend							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 - 2030/31 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Polling Booths for Elections	Legal and Community	0	27,000	0	0	0	0	0	0	0	0	0	27,000
Private Sector Grants	Regulatory	29,400	90,600	60,000	60,000	60,000	60,000	300,000	0	0	0	0	660,000
Provide housing at market rents.	Commercial	224,900	2,751,800	0	0	0	0	0	0	0	0	0	2,976,700
Ransoms Rec Footpaths, Gates and Railing	Place	0	0	10,000	20,000	0	0	0	0	0	0	0	30,000
Refurbishment and improvement of community facilities	Legal and Community	257,600	265,300	0	0	0	0	0	0	0	0	0	522,900
Refurbishment of lifts at Lairage Car Park	Resources	6,000	353,300	0	0	0	0	0	0	0	0	0	359,300
Renovate play area Howard Park, Letchworth	Place	0	75,000	0	0	0	0	0	0	0	0	0	75,000
Renovate play area King George V Recreation Ground, Hitchin	Place	1,000	0	0	0	0	0	0	0	0	0	0	1,000
Replace and enhance lighting at St Mary's Car Park	Resources	0	60,000	0	0	0	0	0	0	0	0	0	60,000
Replace items of play equipment Holroyd Cres, Baldock	Place	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Replacement of Newark Close, Royston	Commercial	0	65,000	0	0	0	0	0	0	0	0	0	65,000
Resurface Lairage Car Park	Resources	0	350,000	0	0	0	0	0	0	0	0	0	350,000
Royston Leisure Centre extension	Place	0	0	1,000,000	0	0	0	0	0	0	0	0	1,000,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	0	225,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Royston Leisure Centre Future Refurbishment	Place	0	0	0	0	0	0	300,000	0	0	0	0	300,000
Royston Leisure Centre Members Changing Refurbishment	Place	0	0	0	0	150,000	0	0	0	0	0	0	150,000
Royston Leisure Centre Solar Thermal Installation	Place	0	50,000	0	0	0	0	0	0	0	0	0	50,000
s106 Projects	Various	93,300	0	0	0	0	0	0	0	0	93,300	0	0
Security - Firewalls	Customers	3,200	10,800	14,000	0	16,000	0	36,000	0	0	0	0	80,000
St Johns Cemetery Footpath	Place	10,000	0	0	0	40,000	0	0	0	0	0	0	50,000
Tablets - Android Devices	Customers	9,000	18,900	18,000	12,000	17,000	17,000	56,000	0	0	0	0	147,900
Telephony system	Customers	0	10,600	0	0	0	0	0	0	0	0	0	10,600
Thomas Bellamy House, Hitchin	Commercial	0	65,000	0	0	0	0	0	0	0	0	0	65,000
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	0	250,000	0	0	0
Voice Recorders Careline	Customers	21,900	6,600	0	0	0	0	0	0	0	0	0	28,500
Walsworth Common Pavilion - contribution to scheme	Place	0	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Walsworth Common Pitch Improvements	Place	20,000	0	0	0	0	0	0	0	0	20,000	0	0
Waste and Street Cleansing Vehicles	Place	0	0	0	0	0	4,000,000	0	0	0	0	4,000,000	0
Weston Hills LNR Footpath Renovation	Place	0	0	20,000	0	0	0	0	0	0	0	0	20,000
Wilbury Hills Cemetery Footpaths	Place	5,600	14,400	0	10,000	10,000	0	30,000	0	0	0	0	70,000
WiFi Upgrade	Customers	0	0	0	0	0	40,000	0	0	0	0	0	40,000
WiFi Upgrades for DCO & Hitchin Town Hall	Customers	35,100	0	0	0	0	0	0	0	0	0	0	35,100

<b>1,882,200</b>	<b>16,292,800</b>	<b>8,456,300</b>	<b>5,143,000</b>	<b>6,788,000</b>	<b>5,224,000</b>	<b>3,959,000</b>	<b>298,300</b>	<b>976,100</b>	<b>429,000</b>	<b>4,000,200</b>	<b>42,041,700</b>
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# **Annual Treasury Management Review 2020/21**

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North Hertfordshire District Council  
April 2021

# Annual Treasury Management Review 2020/21

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## 1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 06/02/2020)
- a mid-year treasury update report (Council 21/01/2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, Cabinet and the Finance, Audit and Risk (FAR) Committee have received quarterly treasury management update reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance, Audit and Risk Committee before they were reported to the full Council.

## 2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	19/20 Actual £'000	20/21 Original Budget £'000	20/21 Actual £'000
<b>Capital expenditure</b>	<b>1,473</b>	<b>9,357</b>	<b>1,883</b>
Financed in year	1,076	3,229	1,466
<b>Unfinanced capital expenditure</b>	<b>397</b>	<b>6,128</b>	<b>417</b>

The Unfinanced expenditure is the use of set aside receipts.

### 3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLb], or the money markets), or utilising temporary cash resources within the Council.

	31 March 2020 Actual £'000	2020/21 Original Budget £'000	31 March 2021 Actual £'000
Opening Balance	-5,996	-2,411*	-5,599
Add unfinanced capital expenditure (as above)	397	6,128	417
Closing Balance	-5,599	3,717	-5,182

\*The 20/21 Original Budget was prepared before the final outturn figures for 19/20 were complete. The figure is considerably less due to slippage on the Capital Programme in 19/20 resulting in less expenditure to finance.

The negative closing balances mean that the Council does not have a need to borrow.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow to meet its planned capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator, as all borrowing is historic.

	31 March 2020 Actual £'000	31 March 2021 Original Budget £'000	31 March 2021 Actual £'000
Gross borrowing position	423	405	405
CFR	-5,599	3,717	-5,182

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2020/21
Authorised limit	£10.0m
Maximum gross borrowing position during the year	£0.423m
Operational boundary	£4.0m
Average gross borrowing position	£0.416m
Financing costs as a proportion of net revenue stream	-0.74%

## 4. Treasury Position as at 31st March 2021

At the beginning and the end of 2020/21 the Council’s treasury position was as follows:

<b>DEBT PORTFOLIO</b>	<b>31.3.20 Principal £'000</b>	<b>Average Rate/ Return</b>	<b>Average Life yrs</b>	<b>31.3.21 Principal</b>	<b>Average Rate/ Return</b>
Fixed rate funding:					
-PWLB	423	9.82%		405	9.96%
-Market	0			0	
Variable rate funding:					
-PWLB	0			0	
-Market	0			0	
<b>Total debt</b>	<b>423</b>	<b>9.82%</b>		<b>405</b>	<b>9.96%</b>
<b>CFR</b>	<b>-5,599</b>			<b>-5,182</b>	
<b>Over / (under) borrowing</b>	<b>6,022</b>			<b>5,587</b>	
<b>Total investments</b>	<b>29,500</b>	<b>1.18%</b>		<b>42,500</b>	<b>0.41%</b>

The change in average rate reflects the repayment of debt over the year and the balance of loans at different fixed interest rates. The Council does not have any variable rate borrowing.

The maturity structure of the debt portfolio was as follows

	<b>31.3.20 Actual £'000</b>	<b>31.3.21 Actual £'000</b>
Under 12 months	18	18
12 months and within 24 months	18	19
24 months and within 5 years	61	63
5 years and within 10 years	69	55
10 years and above	257	250

The table below summarises where investments were held at 31 March:

<b>INVESTMENT PORTFOLIO</b>	<b>31.3.20 Actual £000</b>	<b>31.3.20 Actual %</b>	<b>31.3.21 Actual £000</b>	<b>31.3.21 Actual %</b>
<b>Treasury investments</b>				
Banks	2,000	7	0	
Building Societies	9,500	32	10,500	25
Local authorities	16,000	54	20,000	47
Debt Management Account Deposit Facility (H M Treasury)	2,000	7	12,000	28
<b>TOTAL TREASURY INVESTMENTS</b>	<b>29,500</b>	<b>100</b>	<b>42,500</b>	<b>100</b>
<b>Council's Current Account</b>	<b>8,072</b>		<b>4,056</b>	

The maturity structure of the investment portfolio was as follows:

	<b>31 March 2020 Actual £000</b>	<b>31 March 2021 Actual £000</b>
Investments Longer than 1 Year	1,000	0
Investments Up to 1 Year	28,500	42,500
<b>Total</b>	<b>29,500</b>	<b>42,500</b>

The increase in cash balances as at the end of 2020/21 (compared with 2019/20) is mainly due to the balances that the Council is holding in relation to Business Grants and s31 Business Rate relief funding.

## 5. The Strategy for 2020/21

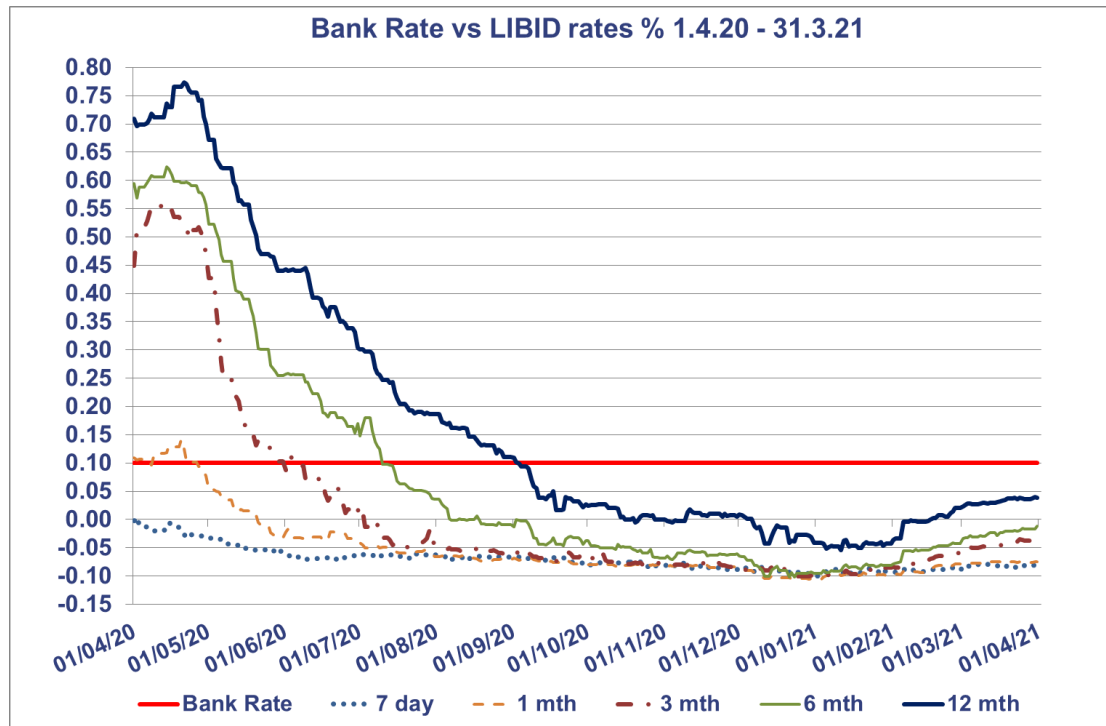
The strategy in 2020/21 was to continue lending to UK banks, building societies, money market funds, Local Authorities and property funds and allow investments with non-UK banks with a credit rating greater than AA- with a AAA Country rating. Only UK banks with a credit rating, for longer term deals, greater than "BBB" and F3 or above for short term credit ratings were on the Council's lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal.

**Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2020/21 was approved by the Council on 06/02/2020. The £5 million limit on the Council's current account was exceeded during the 1st quarter to ensure the Council had sufficient funds to pay Business Support Grants and to ensure that cash was available to respond more generally to the implications of Covid-19. The Chief Executive made an urgent decision on the 9th April to temporarily remove the limit on amounts held in the Council's current account to facilitate the grant payments. The current account limit of £5m has since been reinstated.

## 5.1 Investment strategy and control of interest rate risk

Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.



## 6. Borrowing Outturn

### Borrowing

No new borrowing was undertaken during the year.

### Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

### Repayments

£18K of PWLB loans were repaid during the year, as they became due.

## 7. Investment Outturn

**Investment Policy** – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 06/02/20. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the Fitch credit rating agency for banks and asset size for building societies.



The investment activity during the year mostly conformed to the approved strategy although the limit on investments placed with Building Societies was exceeded by £2.0 million for 19 days in October and was reported to Members in the 3rd quarter monitoring report.

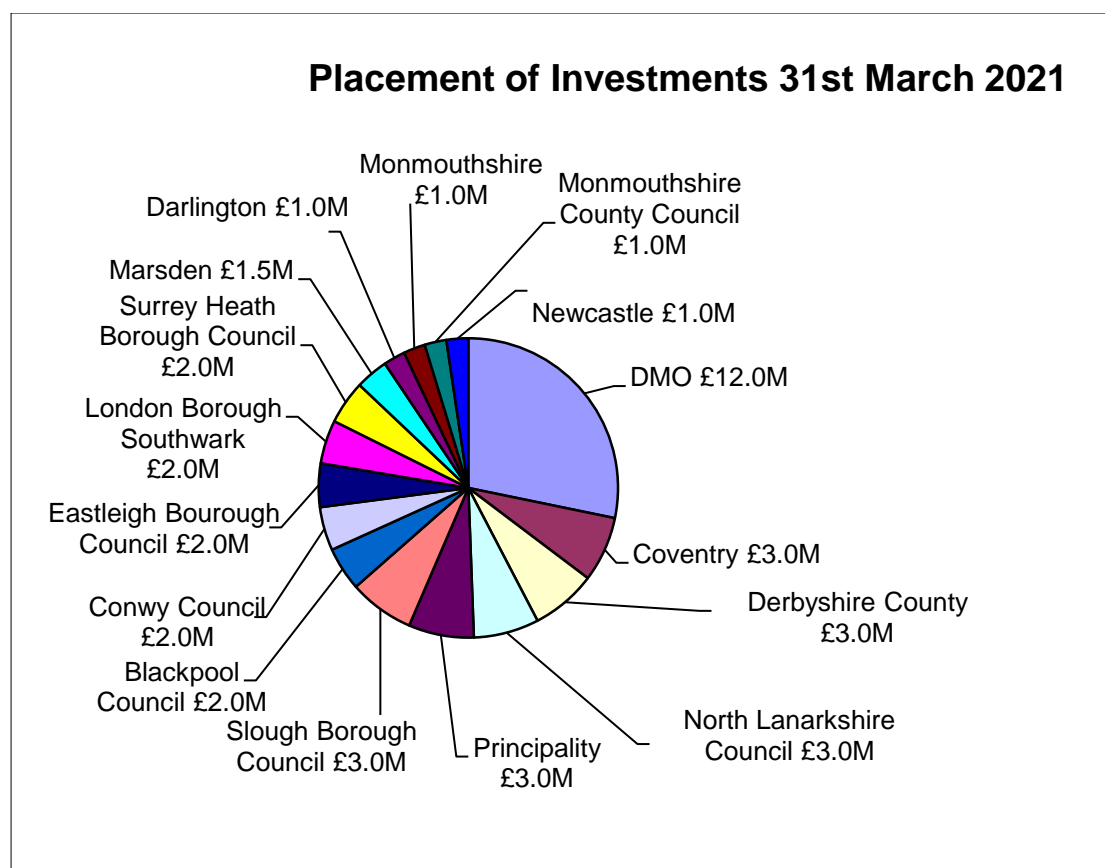
**Investments placed by Cash Managers** – the Council used an external cash manager to invest some of its longer term cash balances, where the rate achieved (after fees) was better than could be obtained by the Council directly. At the start of the year, Tradition had £8.5m of outstanding investments. This had reduced to £4.5m in June and then remained at that level throughout the rest of the year. The performance of the Tradition against the benchmark return was:

Cash Manager	Investments Placed	Interest	Return	Benchmark*
Tradition	£8.5M - £4.5M	£0.059M	1.20%	0.55%

\* Ave 7 days notice Rate 0.55%

This compares with an original budget of £0.985M.

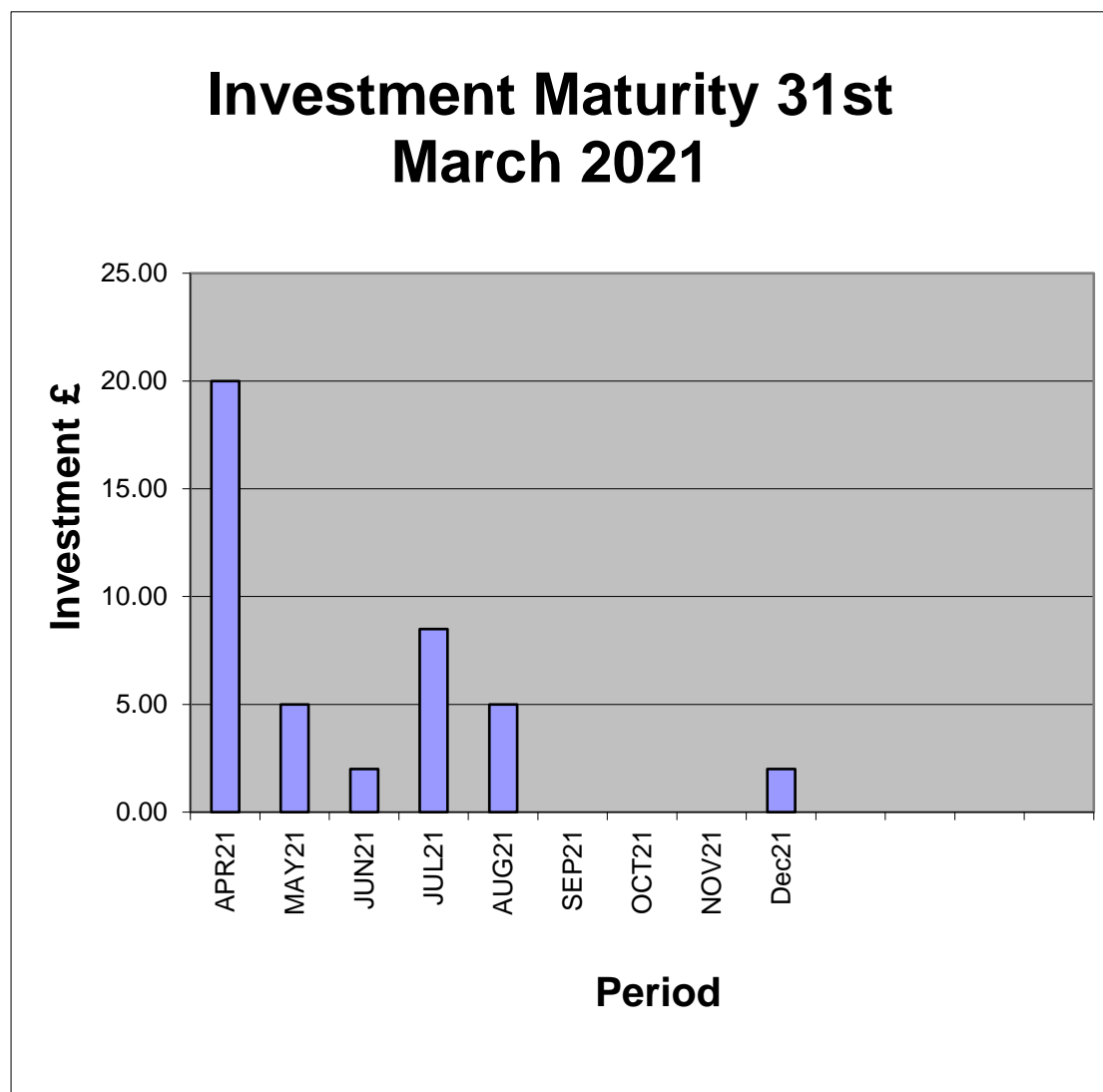
The pie chart below shows the spread of investment balances as at 31 March 2021 (excluding money held in our Current Account). This is a snapshot in time that demonstrates the diversification of investments.



The average daily balance of investments was £46.6m with balances varying between £34.5m and £69.0m.

£0.184m of interest was generated from investments during the year. This is slightly less than the estimated interest of £0.185m (as per Quarter 3 forecast). It is significantly below the Original Budget (£0.300m) that was set prior to Covid-19.

The graph below shows the maturity profile of investments at 31st March 2021 (excluding money held in our Current Account which is instant access).



The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 March. The most risky investment still has a historic risk of default of below 1%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. All investments have been made in accordance with the Investment Strategy.

Borrower	Interest Rate %	Principal	Days to Maturity from 31/03/20	Historic Risk of Default %	Risk of Default %
DMO	-0.01	4,000,000	1	0.002	0.000
COVENTRY	0.02	3,000,000	6	0.050	0.001
CONWYN COUNTY BOROUGH COUNCIL	0.08	2,000,000	20	0.002	0.001
DMO	0.00	8,000,000	20	0.002	0.000
PRINCIPALITY BUILDING SOCIETY	0.06	2,000,000	20	0.140	0.008
PRINCIPLAITY BUILDING SOCIETY	0.06	1,000,000	30	0.140	0.012
EASTLEIGH BOROUGH COUNCIL	0.05	2,000,000	47	0.002	0.003
MOMMOUTHSHIRE BUILDING SOCIETY	1.50	1,000,000	58	0.140	0.022
SLOUGH BOROUGH COUNCIL	1.00	2,000,000	58	0.002	0.004
SLOUGH BOROUGH COUNCIL	0.10	1,000,000	62	0.002	0.004
MONMOUTHSHIRE COUNTY COUNCIL	0.25	1,000,000	79	0.002	0.005
DERBYSHIRE COUNTY COUNCIL	0.10	3,000,000	96	0.002	0.006
DARLINGTON BUILDING SOCIETY	0.35	1,000,000	99	0.140	0.038
NORTH LANARKSHIRE COUNCIL	0.05	3,000,000	110	0.002	0.007
MARSDEN BUILDING SOCIETY	0.30	1,500,000	112	0.140	0.043
LONDON BOROUGH OF SOUTHWARK	0.20	2,000,000	127	0.002	0.008
NEWCASTLE BUILDING SOCIETY	0.20	1,000,000	149	0.140	0.057
SURREY HEATH BOROUGH COUNCIL	0.04	2,000,000	153	0.002	0.010
BLACKPOOL COUNCIL	0.32	2,000,000	257	0.002	0.016

**Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£m)	31 March 20 £'000	31 March 21 £'000
Balances	<b>9,332</b>	<b>8,895</b>
Earmarked reserves	<b>9,271</b>	<b>20,808</b>
Provisions	<b>2,446</b>	<b>2,783</b>
Usable capital receipts	<b>1,941</b>	<b>1,430</b>
<b>Total</b>	<b>22,990</b>	<b>33,916</b>

