

# Public Document Pack

7 July 2017

Our Ref Council/19.7.17  
Your Ref.  
Contact. Ian Gourlay  
Direct Dial. (01462) 474403  
Email. ian.gourlay@north-herts.gov.uk

To: The Chairman and Members of North Hertfordshire District Council

You are invited to attend a

## **MEETING OF THE COUNCIL**

to be held in the

**SPIRELLA BALLROOM, ICKNIELD WAY, LETCHWORTH  
GARDEN CITY**

on

**WEDNESDAY, 19 JULY 2017**

at

**7.30 PM**

Yours sincerely,



David Miley  
Democratic Services Manager

## **Agenda Part I**

<b>Item</b>	<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. MINUTES</b> To take as read and approve as a true record the minutes of the meeting of the Council held on 18 May 2017.	1 - 6
<b>3. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chairman of other business which they wish to be discussed by the Council at the end of the business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency.  The Chairman will decide whether the item(s) raised will be considered.	
<b>4. CHAIRMAN'S ANNOUNCEMENTS</b> Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest which requires they leave the room under Paragraph 7.4 of the Code of Conduct, can speak on the item, but must leave the room before the debate and vote.	
<b>5. PUBLIC PARTICIPATION</b> To receive petitions, comments and questions from members of the public.	
<b>6. ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 12 JUNE 2017 - FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2016/17</b>	7 - 14
<b>7. ITEM REFERRED FROM CABINET: 13 JUNE 2017 - RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2016/17</b>	15 - 38
<b>8. ITEM REFERRED FROM CABINET: 13 JUNE 2017 - REVENUE BUDGET OUTTURN 2016/17</b>	39 - 58
<b>9. ITEM REFERRED FROM CABINET: 13 JUNE 2017 - ANNUAL TREASURY MANAGEMENT REVIEW 2016/17</b>	59 - 78
<b>10. ITEM REFERRED FROM CABINET: 13 JUNE 2017 - CORPORATE OBJECTIVES FOR 2018-2023</b>	79 - 84

<b>11.</b>	<b>CONFERRING POWERS TO THE PARISH MEETING OF CLOTHALL</b> REPORT OF THE CHIEF EXECUTIVE	85 - 90
<b>12.</b>	<b>SENIOR MANAGEMENT ARRANGEMENTS</b> REPORT OF THE HEAD OF PAID SERVICE (CHIEF EXECUTIVE)	91 - 102
<b>13.</b>	<b>QUESTIONS FROM MEMBERS</b> To consider any questions submitted by Members of the Council, in accordance with Standing Order 4.8.11(b).	103 - 104
<b>14.</b>	<b>NOTICE OF MOTIONS</b> To consider any motions, due notice of which have been given in accordance with Standing Order 4.8.12.	105 - 106

This page is intentionally left blank

# Agenda Item 2

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### COUNCIL

Meeting held in the Spirella Ballroom, Icknield Way, Letchworth Garden City on Thursday, 18th May, 2017 at 7.30 pm

### MINUTES

**PRESENT:** Councillor Alan Millard (Chairman)

Councillors Ian Albert, David Barnard, Clare Billing, Judi Billing, John Booth, Paul Clark, Julian Cunningham, Bill Davidson, Steve Deakin-Davies, Elizabeth Dennis, Sarah Dingley, Jane Gray, Jean Green, Gary Grindal, Nicola Harris, Simon Harwood, Steve Hemingway, Cathryn Henry, Fiona Hill, Terry Hone, Tony Hunter, Lorna Kercher, David Levett, Bernard Lovewell, Ian Mantle, Paul Marment, Jim McNally, Lynda Needham, Janine Paterson, Frank Radcliffe, Mike Rice, Deepak Sangha, Ray Shakespeare-Smith, Harry Spencer-Smith, Martin Stears-Handscorn, Richard Thake, Terry Tyler and Michael Weeks

**IN ATTENDANCE:** David Scholes (Chief Executive), Norma Atlay (Strategic Director of Finance, Policy and Governance), Anthony Roche (Corporate Legal Manager) and Ian Gourlay (Committee and Member Services Manager)

**ALSO PRESENT:** 6 members of the public, including family of the incoming Chairman

#### 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors John Bishop, Faye S. Frost, Steve Jarvis, Ben Lewis, Sandra Lunn, Gerald Morris, M.R.M. Muir, Valentine Shanley, Adrian Smith and Mrs C.P.A. Strong.

#### 2 ELECTION OF CHAIRMAN OF THE COUNCIL FOR THE CIVIC YEAR 2017/18

Nominations were invited by the retiring Chairman (Councillor John Booth) for the election of the Chairman of the Council to hold office until the next annual meeting of the Council in 2018.

It was proposed by Councillor Mrs L.A. Needham, seconded by Councillor Julian Cunningham, and

**RESOLVED:** That Councillor Alan Millard be elected Chairman of the Council to hold office until the next Annual Meeting of the Council in 2018.

*Councillor Alan Millard then read and signed the Statutory Declaration of Acceptance of Office and the Chairman (Councillor John Booth) placed the chain of office upon him. Councillor Millard thanked the Council for his election as Chairman and took the Chair. He informed the Council that his consort for the year would be his wife, Maureen, and he invested her with her chain.*

#### 3 COUNCILLOR JOHN BOOTH - PAST CHAIRMAN

The Chairman paid tribute to Councillor John Booth for his service as Chairman during his term of office. He congratulated Councillor Booth on being a very able Chairman throughout his year of office, especially his chairing of some of the challenging Council meetings that had taken place during the year. He also thanked Councillor Booth's consort and wife, Helen, for the excellent refreshments she had provided following Council meetings held at the District Council Offices.

**Thursday, 18th May, 2017**

Councillor Booth thanked Councillor Millard for his comments and for his support as Vice-Chairman during his time as Chairman. He commented that it had been a wonderful year, which he had thoroughly enjoyed.

Councillor Booth wished to record particular thanks to his wife and consort, Helen, and his Secretary, Amelia McNally, for their help and support during the Civic Year. He presented Helen and Amelia with bouquets of flowers as a mark of his thanks.

Councillor Booth was delighted to announce that, during his year in office, he had raised £1,080 for each of his chosen charities, namely Jackie's Drop-in Centre and the Hertfordshire Multiple Sclerosis Therapy Centre, both based in Letchworth Garden City. He invited Jackie Nealon (from Jackie's Drop-in Centre) and Mark Boscher (from the Hertfordshire Multiple Sclerosis Therapy Centre) to come forward and receive cheques for that amount.

It was moved by the Chairman, Councillor Alan Millard, seconded by Councillor Mrs L.A. Needham, and

**RESOLVED:** That the Council places on record its sincere thanks and appreciation to former Councillor John Booth for his services as Chairman of the Council during the past year.

#### **4 APPOINTMENT OF A VICE-CHAIRMAN OF THE COUNCIL FOR THE CIVIC YEAR 2017/18**

The Chairman asked for nominations for the appointment of Vice-Chairman of the Council to hold office until the next Annual Meeting of the Council in 2018.

It was moved by Councillor Mrs L.A. Needham, and seconded by Councillor Julian Cunningham, and

**RESOLVED:** That Councillor John Bishop be appointed Vice-Chairman of the Council to hold office until the next Annual meeting of the Council in 2018.

*The Chairman announced that Councillor Bishop had tendered his apologies for the meeting.*

#### **5 MINUTES**

It was moved by Councillor Mrs L.A. Needham, seconded by Councillor Julian Cunningham, and

**RESOLVED:** That the Minutes of the meeting of the Council held on 11 April 2017 be approved as a true record and signed by the Chairman.

#### **6 CHAIRMAN'S ANNOUNCEMENTS**

##### **(1) Declarations of Interest**

The Chairman reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

##### **(2) New Councillor and Former Councillor re-elected**

The Chairman congratulated and welcomed Councillor Sarah Dingley and welcomed back Councillor Ray Shakespeare-Smith following their by-election success at the Elections on 4 May 2017.

##### **(3) Charities and Fundraising**

The Chairman announce that his chosen charities for the year were Hitchin Helping Hands and Snappy Gs (a charity providing activities for young adults with learning disabilities), also based in Hitchin.

#### **7 SCHEDULE OF COUNCIL MEETINGS 2017/18**

The Council received a report of the Chief Executive on a proposed programme of ordinary meetings of the Council in 2017/2018.

**Thursday, 18th May, 2017**

It was moved by Councillor Mrs L.A. Needham, and seconded by Councillor Julian Cunningham, that the programme of Council meetings for 2017/18 set out in the report be approved.

As an amendment, it was moved by Councillor Elizabeth Dennis, and seconded by Councillor Judi Billing, that the meeting scheduled for "Thursday, 31 August 2017" be replaced by "Thursday, 7 September 2017" to avoid meeting in the school holidays.

Following debate, a further amendment was moved by Councillor Frank Radcliffe, and seconded by Councillor Julian Cunningham "That, for 2018/19 and future years, NHDC will avoid, wherever possible, arranging scheduled Council meetings during the school holidays."

Upon being put to the vote, this amendment was carried.

As a consequence, Councillor Elizabeth Dennis withdrew her earlier amendment.

Upon the substantive motion being put to the vote, it was

**RESOLVED:**

- (1) That the following programme of ordinary meetings of the Council be approved for the Civic Year 2017/2018:

Wednesday, 19 July 2017;  
Thursday, 31 August 2017;  
Thursday, 23 November 2017;  
Thursday, 18 January 2018;  
Thursday, 8 February 2018;  
Tuesday, 10 April 2018; and

- (2) That, for 2018/19 and future years, NHDC will avoid, wherever possible, arranging scheduled Council meetings during the school holidays.

**REASON FOR DECISION:** To enable Members to agree a programme of ordinary meetings of the Council for 2017/2018.

**8 LEADER OF THE COUNCIL**

The Council noted that the Leader of the Council for the period until May 2019 would be Councillor Mrs L.A. Needham.

**9 APPOINTMENT OF DEPUTY LEADER OF THE COUNCIL**

The Council noted that the Leader of the Council had appointed Councillor Julian Cunningham as Deputy Leader for the 2017/2018 Civic Year.

**10 APPOINTMENT OF MEMBERS OF THE CABINET FOR 2017/18**

The Leader of the Council presented a report which was tabled at the meeting, and which advised the Council of the proposed Cabinet Executive Members for 2017/2018. The report also contained details of the delegation arrangements for Executive Members, which would be incorporated into the Council's Constitution.

**RESOLVED:** That it be noted that the following Members be appointed as Executive Members of the Cabinet for 2017/2018 responsible for the following areas, and with the delegations for inclusion in the Council's Constitution as detailed in the report tabled at the meeting:

Councillor Mrs L.A. Needham – Leader and Cabinet Chairman  
Councillor Julian Cunningham – Executive Member for Finance & IT and Cabinet Vice-Chairman  
Councillor Tony Hunter – Executive Member for Community Engagement & Rural Affairs  
Councillor Jane Gray – Executive Member for Leisure  
Councillor Bernard Lovewell – Executive Member for Housing & Environmental Health  
Councillor Michael Weeks – Executive Member for Waste, Recycling & Environment  
Councillor Ray Shakespeare-Smith – Executive Member for Policy, Transport & Green Issues

Councillor David Levett – Executive Member for Planning & Enterprise

**11 TO APPOINT MEMBERS OF COMMITTEES FOR 2017/18**

The Democratic Services Manager reported on the proposed allocation of places on the Council's Committees and other bodies for 2017/2018. He also tabled details of the political balance of Committees as required under the provisions of Section 15 of the Local Government and Housing Act 1989 which imposed a duty for the Council to review the representation of the different political groups on the Council's committees. He indicated the bodies to which the section applied and set out the proposed numbers of seats on these bodies and the suggested allocation of places that complied with the requirements of the law.

It was moved by Councillor Mrs L.A. Needham, seconded by Councillor Julian Cunningham, and

**RESOLVED:**

- (1) That the seats allocated to each political party on the Committees to which Section 15 of the Local Government and Housing Act 1989 applied and the seats allocated to each political party on the bodies to which Section 15 of the Local Government and Housing Act 1989 did not apply be as set out in Appendix A to these Minutes; and
- (2) That Members be appointed to the various Committees and other bodies in accordance with the wishes of the individual groups, as detailed in Appendix B to these Minutes.

**12 APPOINTMENT OF CHAIRMEN AND VICE-CHAIRMEN OF COMMITTEES FOR 2017/18**

The Council gave consideration to the appointment of Chairmen and Vice-Chairmen of Committees (with the exception of Area Committees) for 2017/2018.

It was then moved by Councillor Mrs L.A. Needham, seconded by Councillor Julian Cunningham, and

**RESOLVED:** That the Chairmen and Vice-Chairmen of Committees for 2017/2018 be appointed in accordance with the details set out in the Appendix C to these Minutes.

**13 ADJOURNMENT TO ENABLE THE APPOINTMENT OF CHAIRMEN AND VICE-CHAIRMEN OF AREA COMMITTEES**

The Chairman adjourned the meeting to enable the five Area Committees to meet to elect their respective Chairmen and Vice-Chairmen for 2017/2018.

*The meeting was adjourned at 8.02pm.*

*The meeting was re-convened at 8.07pm.*

**14 KEY DECISIONS - ANNUAL REPORT ON CASES OF SPECIAL URGENCY**

The Leader of the Council (Councillor Mrs L.A. Needham) submitted a report informing the Council of any occasions over the past year where the provisions relating to "Special Urgency" had been used in connection with the publication of an intention to make a Key Decision, as required by legislation.

The Leader of the Council confirmed that, during the 2016/2017 Financial Year, there had been one occasion upon which the "Special Urgency" powers had been used. The powers had been exercised by the Cabinet on 28 March 2017, in respect of decision concerning the acquisition of 14/15 Brand Street, Hitchin, in relation to the North Hertfordshire Museum Project at Hitchin Town Hall, as detailed in the report.

It was moved by Councillor Mrs L.A. Needham, seconded by Councillor Julian Cunningham, and

**RESOLVED:** That the report be noted.

**REASON FOR DECISION:** To comply with Regulation 19 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.



**15 ANNUAL REPORT OF THE OVERVIEW AND SCRUTINY COMMITTEE**

The Chairman of the Overview and Scrutiny Committee (Chairman Cathryn Henry) for the Civic Year 2016/2017 introduced the report of the Overview and Scrutiny Committee which set out that Committee's activities over the year and the plans for continued improvement over the coming year.

The Chairman of the Overview and Scrutiny Committee commented that the report was largely self-explanatory. She was honoured to have been re-appointed to the role of Chairman of the Committee for the 2017/18 Civic Year. Since taking up the role she had always endeavoured to keep the Committee abreast of emerging policy. She encouraged the Committee to be bolder and more insightful in its work over the coming year.

**RESOLVED:** That the Annual Report of the Overview and Scrutiny Committee for 2016/2017 be noted.

**16 ANNUAL REPORT OF THE STANDARDS COMMITTEE**

The Chairman of the Standards Committee (Councillor Mike Rice) for the Civic Year 2016/2017 introduced the report, which set out that Committee's activities over the past year.

The Chairman of the Standards Committee advised that, previously, the Annual Meeting of the Council had received an oral report from him and previous Chairmen outlining the work of the Committee in the preceding Civic Year. In order to promote the work of the Committee and underline the importance of standards, the annual report would now be presented as a written report.

The Chairman of the Standards Committee stated that trust and confidence in Public office holders and institutions were important for the functioning of local authorities. All councillors were expected to live up to high standards of behaviour and demonstrating that they did so underpinned that confidence in local democracy. The document attached as Appendix A to the report sets out the work of the Committee and the Monitoring Officer during the 2016/17 Civic Year.

The Chairman of the Standards Committee commented that of particular note was the new Guide to the NHDC Code of Conduct, which provided a guide for Members as they carried out their roles and provided a source of reference when any alleged breaches. The guide could be found on the Council's website. Additionally, the complaints procedure had been reviewed, taking into account lessons learnt from dealing with a number of complaints since the introduction of the current standards regime in July 2012.

The Chairman of the Standards Committee advised that, looking ahead to 2017/18, it was intended to review the Member Code of Conduct and Register of Interests forms, to be reported to the Committee and then to Council if any changes were proposed.

The Chairman of the Standards Committee reminded Members of the training session which had been arranged for Wednesday, 24 May 2017 at 7.00pm and he encouraged them to attend.

The Chairman of the Standards Committee concluded by thanking the Independent Persons, Nicholas Moss and Peter Chapman, in assisting the Monitoring Officer and Deputy Monitoring Officer. He also personally thanked the Monitoring Officer and Deputy Monitoring Officer for the support and advice they had given the Standards Committee over the past year.

**RESOLVED:**

- (1) That the Annual Report of the Standards Committee, as attached at Appendix A to the report, be received and noted; and
- (2) That the issues being reviewed by the Standards Committee in 2017/18 be noted.

**17 NOMINATION OF REPRESENTATIVES ON OUTSIDE ORGANISATIONS AND OTHER BODIES FOR 2017/18**

The Leader of the Council referred to the current position regarding District Council representatives on outside organisations, as detailed on the paper tabled at the meeting. The Political Groups had indicated those positions they wished to have allocated to them and there were a small number of issues to resolve. The Leader of the Council suggested that nominations be notified to the Democratic Services Manager in due course.

**Thursday, 18th May, 2017**

It was moved by Councillor Mrs L.A. Needham, and seconded by Councillor Julian Cunningham, that the list of Nominations to Outside Organisations for 2017/2018 tabled at the meeting be approved.

Upon being put to the vote, it was

***RESOLVED:***

- (1) That the list of nominations of representatives on Outside Organisations and Other Bodies for 2017/2018, as set out in Appendix A to the report, be approved; and
- (2) That Political Group Leaders notify the Democratic Services Manager of nominations to the remaining vacancies or any changes to the existing representatives on outside organisations

The meeting closed at 8.20 pm

Chairman at the meeting on  
Thursday, 18 May 2017

<b>COUNCIL</b> <b>19 JULY 2017</b>
---------------------------------------

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>6</b>
----------------------------------	--

**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 12 JUNE 2017 – FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT FOR 2016/17**

*The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 12 June 2017.*

**13. FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2016/17**

The Committee received the Finance, Audit and Risk Committee Annual Report for 2016/17, prepared by the former Chairman of the Committee (Councillor Michael Weeks).

**RECOMMENDED TO COUNCIL:** That the Annual Report of the Finance, Audit and Risk Committee 2016/17 be noted.

**REASON FOR DECISION:** To comply with the requirements of the Council's Constitution.

*The following is the report considered by the Finance, Audit and Risk Committee at its meeting held on 12 June 2017.*

NORTH HERTFORDSHIRE  
DISTRICT COUNCIL



# Finance, Audit & Risk Committee Annual Report 2016/17

## **Contents**

**Introduction from the Chairman**

**Role of the Committee**

**Effectiveness**

**Members of the Committee**

**Meetings in 2016-17**

**Main Achievements**

**Planned work for 2017-18**

## **Introduction from the Finance Audit & Risk Committee Chairman**



I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2017.

I hope this Annual Report demonstrates the importance of the role of the Finance Audit & Risk Committee and the contribution it makes to the Council's overall governance. All meetings are open to the public and I would encourage residents to come along and see the Committee in action.

As well as elected members, the Committee is supported by the Strategic Director of Finance, Policy & Governance; the Head of Finance Performance & Asset Management and the Accountancy Manager. Similarly representatives from the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and our External Auditors (Ernst Young) regularly attend the meetings of the Committee.

I have recently been offered the post of Executive Cabinet Member for Waste Recycling and Environment which I have accepted. In view of this appointment I have had to step down as Chairman of this Committee, a position that I have held for several years. I would like to express my thanks to the Members of the Committee and all others involved.

**Councillor Michael Weeks**

**May 2017**

## **Role of the Committee**

The purpose of the FAR Committee is to provide independent scrutiny and assurance of finance, audit and internal control matters and to provide effective scrutiny of financial matters. This also encompasses corporate governance and risk management.

The Committee reports to Cabinet. The work of the Committee provides assurance to Cabinet and Council on the annual accounts, risk management, audit and internal control.

The full Terms of Reference for this Committee are provided in the Council's Constitution.

[http://www.north-herts.gov.uk/sites/northherts-cms/files/Constitution%20Section%2010\\_0.pdf](http://www.north-herts.gov.uk/sites/northherts-cms/files/Constitution%20Section%2010_0.pdf)

## **Effectiveness**

The Code of Practice for Internal Audit in Local Government 2006 requires an Audit Committee to review its own remit and effectiveness.

Such a review was carried out by the Audit Manager within the Shared Internal Audit Service who has responsibility for the provision of the Internal Audit Service at North Herts District Council. It was reported to the June 2016 meeting of the FAR Committee. This review concluded that the Committee was operating effectively.

A further review will again be carried out and reported to the June 2017 meeting of the Committee.

## **Members of the Committee**

The following Members were appointed to the Committee for 2016/17:

Councillor Michael Weeks	Conservative	Chairman
Councillor Simon Harwood	Conservative	Vice-Chairman
Councillor Ian Albert	Labour	
Councillor John Bishop	Conservative	
Councillor Jim McNally	Conservative	
Councillor Deepak Sangha	Labour	
Councillor Terry Tyler	Liberal Democrat	

Substitutes:

Councillor Mrs A G Ashley	Conservative
Councillor Clare Billing	Labour
Councillor Nicola Harris	Conservative
Councillor S K Jarvis	Liberal Democrat

To support Members appointed to the Committee, assistance was readily available from relevant Officers. An additional development opportunity that some Members took advantage of was a training session on questioning skills, interpreting financial information, controls and risk.

## Meetings

A work plan was agreed at the start of the year, which included regular review of the following:

- Reports of the External Auditor (Ernst and Young)
- Internal Audit Reports (Shared Internal Audit Service – SIAS) to enable monitoring of the delivery of the internal audit service
- Anti-fraud reports (Shared Anti-Fraud Service- SAFS) to enable monitoring of the effectiveness of anti-fraud activity
- Risk Management Updates
- Financial monitoring including Treasury Management Activity and Revenue/Capital monitoring

As and when required, the planned Agenda is supplemented by reports where the Committee has requested additional information or assurance.

The Committee met five times in the year and the following reports were presented and discussed:

<b>13 June 2016</b>
Annual External Audit and Certification Fees The Effectiveness of the Finance Audit & Risk Committee Annual Assurance Statement and Internal Audit Annual Report 2015-2016 SIAS update on progress against the 2016-17 audit plan Risk Management Update and Annual Report on Risk Management FAR Annual Report Draft Annual Governance Statement for 2015-16 Revenue Budget Outturn 2015-2016 Capital Programme Outturn 2015-16 Annual Treasury Management Review 2015-16
<b>22 September 2016</b>
Audit findings report 2015-16 Progress report on the Shared Anti-Fraud Service (SAFS) SIAS Annual Report for 2015-16 SIAS update on progress against the 2016-17 Audit Plan Risk Management Update Annual Governance Statement for 2015-16 Statement of Annual Accounts for 2015-2016 First Quarter Revenue Monitoring 2016-17 First Quarter Capital Monitoring for 2016-17 First Quarter Treasury Monitoring Report for 2016-17 Updated Contract Procurement Rules Ongoing financial and operational viability of contractors Parking Income
<b>21 November 2016</b>
Annual Audit Letter 2015-16 Land and Property Review Appointment of External Auditors from 2018-19 onwards Second Quarter Revenue Budget Monitoring 2015-16 Second Quarter Capital Monitoring for 2015-16 Second Quarter Treasury management 2015-16
<b>19 December 2016</b>
SIAS update on progress against the 2016-17 Audit Plan Risk Management Update Corporate Business Planning- Draft Budget 2017-18



### **23 January 2017**

External Audit Plan for the year ending 31<sup>st</sup> March 2017  
Certification of Grants and Claims Annual Report 2015-16  
Corporate Business Planning- Budget Setting 2017-18  
Capital Programme 2017-18 onwards  
Treasury Management Strategy for 2017-18

### **22 March 2017**

External Audit Update  
Local Government Audit Committee Briefing  
SIAS update on progress against the 2016-17 Audit Plan  
Internal Audit Plan for 2017-18  
SAFS Progress Report  
Risk Management Update  
Review of the Annual Governance Statement Action Plan and Local Code of Corporate Governance  
Third Quarter Revenue Budget Monitoring 2016-17  
Third Quarter Capital Monitoring 2016-17  
Treasury Management Third Quarter Report 2016-17  
Car Parking Expenditure

### **Main Achievements**

Taking the year as a whole, the Finance, Audit & Risk Committee has been successful in maintaining a comprehensive overview of internal control and governance. In addition, it played a key role in financial monitoring. The Chairman of the Committee was in a position to provide an Assurance Statement on the role of the Committee to support the Annual Governance Statement for 2016-17.

The Committee received a report on the financial and viability of contractors, which allowed them to comment on the controls that are in place and the difficulty in balancing the controls with the risks involved.

The Committee received reports on changes to the Contract Procurement Rules and the Appointment of External Auditors from 2018/19 onwards. In both cases this allowed the Committee to make an onward recommendation to Cabinet and Council that the proposals be approved.

The Committee reviewed the budget for 2017-18 and also looked at a Cabinet report covering a land and property review. In both cases the Committee were able to make comments on the recommendations that went to Cabinet.

### **Planned work for 2017-18**

The Committee will receive the items that ensure it covers its remit. This will include a planned update to the Financial Regulations. In addition the Committee may also request reports or details of follow up actions on specific areas, as it has done a few times during 2016-17.

All Members of the Committee are encouraged to take advantage of the various offers of training and development that have been made by Officers as well as some of the external courses that are available. Attendance at a meeting of the Risk Management Group would also be beneficial. This will enable Members of the Committee to discharge their responsibilities to the best of their ability.

This page is intentionally left blank

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**7**

**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 13 JUNE 2017 – RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2016/17**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 13 June 2017.*

**6. ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 12 JUNE 2017 – RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2016/17**

The Vice-Chairman of the Finance, Audit and Risk Committee presented the following referral from that Committee, made at its meeting held on 12 June 2016, in respect of a Risk Management Update and Annual Report on Risk Management 2016/17 (Minute 12 refers):

**“RECOMMENDED TO CABINET:**

- (1) That the reduction in the score for the “Increased Homelessness and use of B & B” risk from a 7 to a 5 be approved;
- (2) That the reduction in the score for the “Office Accommodation” risk from a 7 to a 5 be approved;
- (3) That a reduction in the likelihood score for the “Sale of Materials” sub-risk to a 2 – Medium – be approved; and
- (4) That the Annual Report on Risk and Opportunities Management 2016/17, as set out at Appendix B to the report, be supported and referred to Council for approval.”

The Cabinet was pleased that the “Increased Homelessness and use of B & B” risk was proposed to be reduced in score. It was noticed that the Risk matrix which formed part of the Annual Report on Risk and Opportunities Management 2016/17 showed the aforementioned risk as 5 score when at that time it should have been a 7 score. This was an error, which would be corrected in the version of the Annual report which would be submitted to Council on 19 July 2017.

**RESOLVED:**

- (1) That the reduction in the score for the “Increased Homelessness and use of B & B” risk from a 7 to a 5 be approved;
- (2) That the reduction in the score for the “Office Accommodation” risk from a 7 to a 5 be approved;
- (3) That a reduction in the likelihood score for the “Sale of Materials” sub-risk to a 2 – Medium – be approved; and

**RECOMMENDED TO COUNCIL:** That the Annual Report on Risk and Opportunities Management 2016/17, as set out at Appendix B to the report, and as amended, be approved.

**REASON FOR DECISION:** To comply with the requirements of the Risk and Opportunities Management Strategy.

*The following is the report considered by the Cabinet at its meeting held on 13 June 2017.*

**TITLE OF REPORT: RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2016/17**

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT

EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM

COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

1.1 To provide the Committee with an update on the management of the Corporate risks

**2. RECOMMENDATIONS**

2.1 That the Committee notes and refers the changes in the Corporate risks to Cabinet.

2.2 That the Annual Report on Risk Management 2016/17 (attached at Appendix B) is referred to Cabinet for onward referral to Council.

**3. REASONS FOR RECOMMENDATIONS**

3.1 The responsibility for ensuring the management of the risks referred to in Section 2 of this report 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 SMT and the Risk Management Group (this includes Councillor T Hone 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 does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

**7. BACKGROUND**

7.1 At the March meeting of the Finance, Audit and Risk Committee the increase in the likelihood of the "Shared Procurement Opportunity" sub-risk that falls under the umbrella of the overarching "Waste & Street Cleansing Contract Renewal" risk and the addition of "Cyber Risks" as a new Corporate risk were approved and referred on to Cabinet.

## 8. RELEVANT CONSIDERATIONS

8.1 The Risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Covalent, the Council's performance and risk management software. The changes to the assessment of the current Corporate risks & opportunities are outlined in sections 8.2, 8.3 and 8.4.

Likelihood	3 High	4	7 <ul style="list-style-type: none"> <li>• Income Generation Projects</li> <li>• Sustainable Development (2 x Sub Risks)</li> </ul>	9 <ul style="list-style-type: none"> <li>• Local Plan</li> <li>• Managing the Council's Finances</li> <li>• North Hertfordshire Museum and Hitchin Town Hall Project</li> </ul>
	2 Medium	2	5 <ul style="list-style-type: none"> <li>• Increased Homelessness and Use of B&amp;B (<i>Reduced from 7</i>)</li> <li>• Office Accommodation (<i>Reduced from 7</i>)</li> <li>• Workforce Planning</li> </ul>	8 <ul style="list-style-type: none"> <li>• Cyber Risks</li> <li>• Waste and Street Cleansing Contract Renewal (8 x Sub Risks)</li> </ul>
	1 Low	1	3	6
		1 Low	2 Medium	3 High
		Impact		

8.2 **Increased homelessness and use of B&B** In March 2017, officers reviewed this risk again and reduced the likelihood risk score to "Medium" (2). Use of B&B accommodation has consistently reduced over the last year and at the time of the review, there were no homeless households being accommodated in B&B. The current level of homelessness within the district is being managed using available temporary accommodation units. However, officers noted that this is a challenging issue and that demand can be unpredictable. Therefore, the risk will be subject to quarterly reviews. This proposed change will move the Homelessness risk from a 7 to a 5 on the Matrix

### **8.3 Office Accommodation**

Willmott Dixon commenced work on site on 6 March 2017. They are currently undertaking asbestos removal and demolition works and are on schedule. Some unforeseen issues have been identified during the works and these are being assessed. Any solutions required will be financed from existing budgets. In view of the progress made and the Council's commitment to complete the refurbishment, Officers have reduced the Likelihood risk score to "2- Medium. This proposed change will move the Office Accommodation risk from a 7 to a 5 on the Matrix.

### **8.4 Sale of Materials Sub Risk**

The likelihood risk score has been reduced to 2-Medium, as a new contract has been procured for mixed recycling services until May 2018. Currently, a saving against budget is predicted. This proposed change has no effect on the placement of the Waste and Street Cleansing Contract Renewal risk, which remains as 8 on the Matrix.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet." This report gives the Committee the opportunity to review and comment on the high level Risks and have they have and are proposed to be managed.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Any additional resources to complete risk management actions are included in the Corporate Business Planning process. There are no direct financial implications from this report.

## **11. RISK IMPLICATIONS**

- 11.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Corporate Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Top / 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 Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks 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” policy do not apply to this report.

### **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct Human Resource implications arising from this report, but it should be noted that there is a separate Corporate Risk relating to Workforce Planning.

### **15. APPENDICES**

- 15.1 Appendix A – The Corporate risks & opportunities with changed assessments.  
Appendix B – Annual Report on Risk Management 2016/17.

### **16. CONTACT OFFICERS**

Rachel Cooper  
Controls, Risk & Performance Manager  
[rachel.cooper@north-herts.gov.uk](mailto:rachel.cooper@north-herts.gov.uk)  
01462 474606

Ian Couper  
Head of Finance, Performance & Asset Management  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)

### **17. BACKGROUND PAPERS**

- 17.1 The risks held on Covalent the Council’s Performance and Risk Management IT system.

This page is intentionally left blank



Appendix A – Corporate Risks and Opportunities with changed assessments



Risk Code	TR60	Risk Title	Increased Homelessness and Use of B&B
Risk Owner	Andy Godman	Updated By	Martin Lawrence
Year Identified	2011	Corporate Priority	Prosper and Protect
Risk Description	<p>As a result of:</p> <ul style="list-style-type: none"> <li>- Welfare reform</li> <li>- Major difficulties accessing the private sector</li> <li>- In the mid term, a rise in the base rate of interest</li> <li>- Lack of suitable temporary accommodation</li> <li>- Impact of new legislation, e.g. the Homelessness Reduction Bill</li> </ul> <p>There is a risk of:</p> <ul style="list-style-type: none"> <li>- An increase in homelessness</li> <li>- A lack of alternative housing options</li> <li>- An increased use of B&amp;B accommodation for homeless households</li> </ul>		
Opportunities	<ul style="list-style-type: none"> <li>-- Homelessness is minimised through prevention activity and there are options for those in housing difficulties t</li> </ul>		
Consequences	<p>An increase in homelessness levels could lead to the full occupation of temporary accommodation units. This in turn would lead to increased usage of B&amp;B accommodation, which would have the following consequences:</p> <ul style="list-style-type: none"> <li>- A significant budget gap for the Council as, on average, only around 35% of housing benefit costs can be reclaimed by way of government subsidy</li> <li>- Adverse impact on households, as B&amp;B accommodation in itself is not ideal and it could be located anywhere in Hertfordshire or beyond</li> <li>- Negative publicity for the Council</li> </ul>		
Work Completed	<ul style="list-style-type: none"> <li>- A review of all homeless households accommodated by the Council in order to establish whether an ongoing accommodation duty exists and if so, the best way to manage this</li> <li>- Entered into an agreement with Welwyn Hatfield Council to use any vacancies they have in temporary accommodation</li> <li>- Launched an updated Common Housing Allocation Scheme</li> <li>- Reviewed the structure of the Housing Options Team to improve resilience; new structure implemented 1 April 2016</li> <li>- Reviewed the standard of service that the public can expect from the Housing Options Team</li> <li>- Financial risk identified for 2017/18: <ul style="list-style-type: none"> <li>-- Ongoing usage of bed and breakfast accommodation for homeless households (£180k/Medium)</li> </ul> </li> <li>- Linked to a new risk entry relating to the "Homelessness Reduction Bill"</li> </ul>		
Ongoing Work	<ul style="list-style-type: none"> <li>- Prioritising activities that establish whether a legal accommodation duty exists at the earliest possible stage</li> <li>- Liaising with registered providers and other local authorities in order to see whether alternative accommodation options exist</li> <li>- Liaise with Herts County Council on possibility of future specialist provision for single people</li> <li>- Review opportunities to improve access to the private rented sector</li> <li>- Work with temporary accommodation providers to closer manage occupants and determine whether possession action needs to be undertaken at an earlier stage (this would release more places in temporary accommodation)</li> <li>- Work more closely with hostel residents in order to remove barriers to move-on, e.g. rent arrears</li> <li>- Consider allowing homelessness acceptances to retain their status at their 'approach' address,</li> </ul>		

	thereby reducing the call on temporary accommodation - Working with the third sector and exploring partnership arrangements		
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	2
<b>Current Risk Matrix</b>	<div style="text-align: center;"> <p>5</p> <p>Likelihood</p> <p>Impact</p> </div>		
<b>Date Reviewed</b>	02-Mar-2017	<b>Next Review Date</b>	02-Jun-2017

<b>Risk Code</b>	<b>TR51</b>	<b>Risk Title</b>	<b>Office Accommodation</b>
<b>Risk Owner</b>	Howard Crompton	<b>Updated By</b>	Howard Crompton
<b>Year Identified</b>	2013	<b>Corporate Priority</b>	Responsive and Efficient
<b>Risk Description</b>	<p>As a result of failure to:</p> <ul style="list-style-type: none"> <li>- Create more open plan space</li> <li>- Minimise disturbance caused by refurbishment works</li> <li>- Have suitable and safe temporary accommodation</li> <li>- Fully anticipate all the costs of the project</li> <li>- Fully engage all staff and Members</li> <li>- Reduce physical storage requirements</li> <li>- Provide sufficient IT and telephony requirements and a suitable public reception in Town Lodge</li> <li>- Have sufficient capacity to deliver the project</li> <li>- Ensure the financial health and competence of the manufacturer/contractor</li> </ul> <p>There is a risk that there is:</p> <ul style="list-style-type: none"> <li>- Failure to complete the project on time, to cost and within the specification</li> <li>- Failure to refurbish the offices as outlined in the original Business Case</li> <li>- Failure to make additional revenue savings/gains from letting</li> <li>- Inability to repair the exterior of the DCO in the long term</li> <li>- Deterioration in services provided to the public</li> <li>- Failure to moderate internal temperatures</li> <li>- Difficult working conditions leading to a deterioration in officers performance</li> <li>- Failure to attract other partners to share the building that could lead to underutilised office space</li> <li>- Failure to manage expectations</li> </ul>		
<b>Opportunities</b>	<p>Purchasing and refurbishment of the DCO provides the following opportunities:</p> <ul style="list-style-type: none"> <li>- Reduction in revenue expenditure for annual rent</li> <li>- Significant investment with the opportunity of providing employment during the construction phase of the project</li> <li>- More open plan arrangements encourages closer working between directorates and the removal of internal walls facilitates increased desk densities and greater workspace flexibility</li> <li>- Improvements to temperature issues will assist in achieving improved productivity</li> <li>- Long-term commitment to remain in Letchworth town centre</li> <li>- Environmental benefits through reduced CO2 emissions, both from the refurbished building and compared to those generated by a new build scheme</li> <li>- To provide a civic centre for a range of services</li> <li>- Other public sector users would provide a rental income; third sector users could facilitate grant reductions due to provision of subsidised space</li> <li>- Commercial rentals</li> </ul>		
<b>Consequences</b>	<p>The consequences of these risks include the following:</p> <ul style="list-style-type: none"> <li>- Continued energy inefficiencies resulting in lack of reduction in emissions and increased utility bills</li> <li>- Current office conditions do not improve</li> <li>- Negative impact on service delivery and morale leading to increase in complaints from the public</li> <li>- Increase in staff complaints, particularly during the temporary decant</li> <li>- Project costs exceed the approved budget</li> <li>- Business Case benefits are not realised</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Home working now embedded reducing the need for office space</li> <li>- Full Council approved purchase and early refurbishment plan for DCO on 18 July 2013</li> <li>- Start-up documents for next project phase (refurbishment works) approved by Project Board and SMT</li> <li>- Established officer project group following Council approval to proceed</li> <li>- Additional questions regarding office accommodation incorporated into 2014 staff survey</li> <li>- Architectural services commissioned from Stevenage BC</li> </ul>		

	<ul style="list-style-type: none"> <li>- Space planning consultancy advice commissioned</li> <li>- Agreement to use Town Lodge and the Letchworth Museum building as temporary accommodation for the duration of the works</li> <li>- Two staff briefings held to date</li> <li>- External designs have Planning and LGCHF approval</li> <li>- Specification for internal works agreed</li> <li>- Finalised agreement for Letchworth storage facility (Unit 3)</li> <li>- Council approved revised budget and final scheme requirements on 14 July 2016</li> <li>- No responses received to the original tender</li> <li>- Subsequently entered into a Scape framework agreement, the principal contractor being Willmott Dixon</li> <li>- Property Services and IT met with teams to determine storage requirements and to review the possibility of electronic storage</li> <li>- Decant to Town Lodge/Letchworth Museum completed in early December 2016</li> <li>- Completed negotiations/value engineering with Willmott Dixon regarding the level of works achievable within the approved budget available</li> <li>- Modifications to design/specification required</li> <li>- Contract signed in February 2017 (total contract value including removal of all identified asbestos is £5,633,382.80)</li> <li>- Willmott Dixon completed a site survey of the DCO regarding asbestos removal</li> <li>- Site survey identified substantially more asbestos in the building than initially expected (£250k of additional work)</li> <li>- Confirmed contingency/security arrangements during the works relating to the servers</li> <li>- DCO cleared ready for the commencement of works</li> <li>- Willmott Dixon commenced work on site on 6 March 2017</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Continue to explore opportunities for potential partners to use some of the office space in the DCO</li> <li>- Clear top level buy-in regarding refurbishment proposals, including more open plan and hot-desking provision, along with temperature moderation measures</li> <li>- Staff consultation and engagement ongoing, e.g. regular email updates to staff and councillors, with representatives from service areas being involved in the project</li> <li>- Where necessary, external skills and advice will be obtained</li> <li>- Willmott Dixon responsible for tendering arrangements for sub-contractor works</li> <li>- The removal of asbestos requires specialist contractors</li> <li>- Ongoing asbestos removal due to be completed shortly</li> <li>- Demolition works have commenced, e.g. removal of cellular offices from higher floors</li> <li>- Any unforeseen issues identified from surveys or during the works are assessed, with appropriate solutions approved and financed from existing budgets</li> <li>- Once the asbestos removal and demolition works are complete, the construction phase will commence</li> <li>- Works due to be completed by 30 January 2018 (contract end date)</li> <li>- Return to the DCO due to be completed by 31 March 2018</li> </ul>		
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	2
<b>Current Risk Matrix</b>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 5px;">5</div> <div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 5px;">Likelihood</div> </div> <div style="margin-top: 5px;">Impact</div> </div>		
<b>Date Reviewed</b>	26-Apr-2017	<b>Next Review Date</b>	26-Oct-2017

<b>Risk Code</b>	<b>TR59.007</b>	<b>Risk Title</b>	<b>Sale of Materials</b>
<b>Risk Owner</b>	Vaughan Watson	<b>Updated By</b>	Chloe Hipwood
<b>Year Identified</b>	2015	<b>Corporate Priority</b>	Responsive and Efficient
<b>Risk Description</b>	<p>As a result of:</p> <ul style="list-style-type: none"> <li>- Increasing supply and lack of demand for materials</li> <li>- Lack of competition</li> <li>- The down turn in the market for materials</li> <li>- Reduction in price for commingled material and/or waste paper</li> <li>- Lack of direct management of contractor</li> <li>- Loss of contractor</li> <li>- Contamination</li> </ul> <p>There is a risk that:</p> <ul style="list-style-type: none"> <li>- There is an increase in the cost for processing the materials</li> <li>- There is a significant financial loss to NHDC</li> <li>- There is lack of control over contract</li> <li>- There is a need to find an alternative contractor at short/no notice</li> <li>- The contractor will reject loads that are considered contaminated</li> </ul>		
<b>Opportunities</b>	- NHDC obtains maximum income for the materials it has collected that can be recycled		
<b>Consequences</b>	<p>As a consequence of the risk occurring:</p> <ul style="list-style-type: none"> <li>- There is a negative impact on the Council's General Fund</li> <li>- Services may have to be cut to meet the shortfall</li> <li>- Material that could be recycled goes to landfill, e.g. the facility at Radwell cannot store materials for any length of time</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- NHDC is part of a consortium for recycling materials with other Hertfordshire authorities</li> <li>- Site visits to monitor contamination</li> <li>- Requests for data on material composition</li> <li>- New plastics recycling leaflets</li> <li>- New plastic stickers delivered September/October 2015</li> <li>- Promotional campaigns to reduce contamination and increase the quality of materials</li> <li>- New paper contract procured as HWP started in January 2017</li> <li>- New contract procured jointly with EHC started in February 2017 (saving against budget currently predicted)</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- To consider options to reduce the likelihood in moisture contamination</li> <li>- To consider contingency arrangements to be put in place to cover the loss of a contractor</li> <li>- Budgets adjusted to reflect impact</li> <li>- Monthly review of market price fluctuations</li> </ul>		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Current Risk Matrix</b>	<p style="text-align: center;">8</p> <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p>		
<b>Date Reviewed</b>	26-Apr-2017	<b>Next Review Date</b>	26-Oct-2017

This page is intentionally left blank

**NORTH HERTFORDSHIRE  
DISTRICT COUNCIL**



**Annual Report on Risk Management**

**April 2016 to March 2017**

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

## **Annual Report on Risk Management** **2016/17**

1. Summary
2. Background
3. Significant Changes to the Corporate (Top) Risks
4. Risk Appetite
5. Insurance Review
6. Business Continuity
7. Health and Safety
8. Review of the Risk Management Framework at NHDC
9. Achieving the Significant Actions for 2016/17
10. Significant Actions for 2017/18
11. Conclusion
12. Recommendations
13. Definitions
14. Risk Matrix for Corporate Risks as at 31 March 2017



## Annual Report on Risk Management

April 2016 to March 2017

### 1.0 Summary

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2016/17, as outlined in the Risk and Opportunities Management Strategy.
- 1.2 This report aims to:
- Confirm the Council's ongoing commitment to the management of risks and opportunities to enable the achievement of our objectives, projects, service delivery and performance management.
  - Summarise the significant changes to the Corporate (Top) Risks during the year.
  - Summarise the achievements against the Risk Management Action Plan for 2016/17.
  - Propose a Risk Management Action Plan for 2017/18, in order to maintain the Council's effective and strong risk management processes.

### 2.0 Background

- 2.1 Throughout 2016/17, the Finance, Audit and Risk Committee received reports on the management of the Council's Corporate (Top) Risks at its meetings. Where necessary, the Finance, Audit and Risk Committee then referred these reports to Cabinet.
- 2.2 The Risk and Opportunities Management Strategy was reviewed in November 2016. The fundamental change was that "Top" risks would now be referred to as "Corporate" risks and there would now be a single set of these risks, rather than separate Cabinet and SMT risks. There were other minor revisions made, such as changing references to the "Performance and Risk Manager" to the "Head of Finance, Performance and Asset Management" and replacing references to "Portfolio Holder" with "Executive Member".
- 2.3 Throughout the year, the Performance Improvement Officer provided ongoing training and support to officers and Members.
- 2.4 On request, the Performance Improvement Officer is able to provide 1:1 sessions to members of the Finance, Audit and Risk Committee, covering topics such as accessing risk register entries on Covalent, the Council's performance and risk management software.
- 2.5 The Deputy Leader and Executive Member for Finance and IT, in his role as the Member "Risk Management Champion", has remained a regular attendee at Risk Management Group meetings.

- 2.6 The former Performance and Risk Manager left the Council in March 2016 and moved to Hertfordshire County Council (HCC). During the year, HCC provided risk management support at a strategic level. This arrangement has now ceased and the risk management function is now delivered and supported by NHDC's Head of Finance, Performance and Asset Management, the Controls, Risk and Performance Manager and the Performance Improvement Officer.
- 2.7 The former Performance and Risk Manager continues to attend Risk Management Group meetings, as HCC delivers the Council's insurance services. This enables the Council to obtain an insight into emerging risks and related issues at HCC and other local authorities in Hertfordshire. The Performance Improvement Officer is a member of ALARM, the national organisation dedicated to supporting risk professionals in the public sector. Membership of ALARM provides training opportunities and enables the sharing of best practice and benchmarking data with other public sector organisations.

### **3.0 Significant Changes to the Corporate (Top) Risks**

- 3.1 As detailed in paragraph 2.2, the Risk and Opportunities Management Strategy was changed so that there is now a single set of "Corporate" risks, rather than two separate sets of Cabinet and SMT "Top" risks. Cabinet owns and monitors the Corporate Risks, as they are risks that require high level of resources to manage and mitigate (such as key projects or risks directly related to the Council's objectives) and need to be managed at a strategic level within the Council.
- 3.2 At each meeting, officers provided the Finance, Audit and Risk Committee with updates on the assessment and management of the Council's Corporate (Top) Risks. Section 14.0 of this report presents a summary risk matrix, which shows the position of each Corporate Risk as at 31 March 2017. The following paragraphs summarise the changes that were reported in the past year.
- 3.3 **Deleted Risks**  
The following Corporate (Top) Risks were reviewed and were either deleted or changed to service risks only.
- 3.4 **Development of Careline**  
On 13 June 2016, officers reported to the Finance, Audit and Risk Committee that Careline had had a successful first year and that there were more opportunities to "grow" the service. The service had recently been restructured and Hertfordshire County Council (HCC) remained committed to funding Careline. An internal audit had given substantial assurance, providing reassurance to both HCC and NHDC that the relationship was being well managed. In view of this, the "Development of Careline" was no longer considered a Top Risk for the Council. Officers had attached details of the risk entry to the report, which highlighted the work that had been completed to manage the risk. The Finance, Audit and Risk Committee resolved that the "Development of Careline" SMT Top Risk should now be treated as a service risk only.

### 3.5 **Asset Management**

At the Finance, Audit and Risk Committee meeting on 22 September 2016, officers proposed that the “Asset Management” Top Risk should be deleted, as there were a number of separate risks that covered the key causes highlighted in the risk description (e.g. the “Office Accommodation” and “North Hertfordshire Museum and Hitchin Town Hall Project” Top Risks). In addition, there were service risks covering the risks arising from the disposal of land and assets. The Finance, Audit and Risk Committee recommended to Cabinet that “Asset Management” be removed as a Cabinet Top Risk and Cabinet approved this on 27 September 2016.

### 3.6 **New Risks**

The following Corporate (Top) Risks were introduced in 2016/17.

### 3.7 **Waste and Street Cleansing Contract Renewal – Depot/Transfer Station**

On 22 September 2016, the Finance, Audit and Risk Committee recommended to Cabinet that the addition of a new “Depot/Transfer Station” sub-risk to the “Waste and Street Cleansing Contract Renewal” Top Risk be agreed.

The “Waste and Street Cleansing Contract Renewal” Top Risk was already comprised of the following sub-risks:

- Trade Waste
- Waste and Recycling Services for Flats
- Northern Transfer Station and Ancillary Facilities
- Commingled Waste
- Street Cleansing
- Shared Procurement Opportunity
- Sale of Materials

A recent Cabinet report on the Outline Business Case for the renewal of the waste management contract included potential capital expenditure at the Buntingford Depot site. In view of this, a new “Depot/Transfer Station” sub-risk had been proposed. On 27 September 2016, Cabinet approved the addition of the new sub-risk.

### 3.8 **Income Generation Projects**

On 22 September 2016, the Finance, Audit and Risk Committee recommended to Cabinet that it should approve the addition of a new “Income Generation Projects” Top Risk. This risk described the risks arriving from the failure to deliver projects that should generate income for the Council. On 27 September 2016, Cabinet approved the addition of “Income Generation Projects” as a new Top Risk.

### 3.9 **Cyber Risks**

On 22 March 2017, the Finance, Audit and Risk Committee recommended to Cabinet that it should approve the addition of a new “Cyber Risks” Corporate Risk. Due to several high profile cyber-attacks across the public and private sector, and the current public awareness about cyber security, officers had proposed that this former service level risk should now be designated as a Corporate Risk. Although the Council had very good levels of security in place, it could not mitigate the risks fully. The most likely spread of any virus or download of ransomware would be through an officer or Member inadvertently opening an attachment they received via e-mail. Training in data protection for all was a high-level recommendation in a recent SIAS audit. On 28 March 2017, Cabinet approved the addition of “Cyber Risks” as a new Corporate Risk.

### 3.10 Risks with Amended Assessments

The regular review of the Council's Corporate (Top) Risks includes an assessment of the impact and likelihood scores. Section 13.0 of this report details the definitions used for assessing scores at NHDC, which ensure a consistent approach to risk scoring.

### 3.11 Increased Homelessness and Use of Bed and Breakfast

On 22 September 2016, officers reported to the Finance, Audit and Risk Committee that the impact risk score had been reduced from "High" to "Medium" following ongoing work within the Housing Team to reduce the number of households in temporary accommodation. This had resulted in a reduction in the overall risk score from "9" to "7". However, there did need to be an increase in the overall provision of housing within the district to manage the risk in the long-term. On 27 September 2016, Cabinet approved the reduced impact risk score.

3.12 In March 2017, officers reviewed the risk again and reduced the likelihood risk score from "High" to "Medium". This had resulted in a reduction in the overall risk score from "7" to "5". Use of B&B accommodation had consistently reduced over the last year and at the time of the review, there were no homeless households being accommodated in B&B. The current level of homelessness within the district was being managed using available temporary accommodation units. However, officers noted that this is a challenging issue and that demand can be unpredictable. Therefore, the risk will be subject to quarterly reviews. Officers will report this further change to the risk score to the Finance, Audit and Risk Committee on 12 June 2017.

### 3.13 Waste and Street Cleansing Contract Renewal – Shared Procurement Opportunity

On 22 March 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score of the "Shared Procurement Opportunity" sub-risk had been increased from "Low" to "Medium" due to the time being taken to finalise the specification. This had resulted in an increase to the overall risk score from "6" to "8". The delay had been due to infrastructure and the client management and customer service elements of the contract, following a change to the preferred procurement option in January 2017. The contract would no longer be awarded in line with the original timeframe of May 2017, which might have further impacts on bidders' willingness to participate in the procurement. New timelines would be developed once agreement had been reached on the final scope of the outstanding elements of the specification. Despite the increase in the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level. On 28 March 2017, Cabinet approved the increased likelihood risk score.

## 4.0 Risk Appetite

4.1 Whether the Council is prepared to accept or wants to reduce a risk is known as its 'risk appetite'. The Council has to take risks in order to evolve and deliver its services. The Council's risk management framework ensures that it recognises and manages the risks that accompany new objectives and opportunities. This does not mean that the Council can or should avoid all risks.

4.2 The Council has a range of different appetites for different risks and these can vary over time. The approval and monitoring of the Council's Corporate Risks by Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be agreed. Generally, risks with a score of "7" or above exceed the Council's risk appetite. As at 31 March 2017, the following Corporate Risks, which have clear links to the Council's objectives, had a score of "7" or above:

- Local Plan (9)
- Managing the Council's Finances (9)
- North Hertfordshire Museum and Hitchin Town Hall Project (9)
- Cyber Risks (8)
- Waste and Street Cleansing Contract Renewal (8)
- Income Generation Projects (7)
- Office Accommodation (7)
- Sustainable Development (7)

## **5.0 Insurance Review**

- 5.1 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 £5,000 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.
- 5.2 The Council has received seven claims from the public relating to the policy year 2016/17. Two of these related to damage to property caused by trees, three from trips and falls on Council owned land and two as a result of accidents in play areas. Although claims are made, these are not always successful for the claimant. The Council only makes payments of compensation when there is a proven legal liability. A further three claims relating to damage or injury from the highway were submitted and referred to Hertfordshire County Council (HCC) in the same period. Once again, this was far fewer than the nine received in 2015/16, which may be due to the change made to the insurance claim section on the Council's website that made it clearer that highway claims should be addressed to HCC.
- 5.3 The Council received notice in November 2012 that the Municipal Mutual Insurance (MMI) Scheme of Arrangement was to be triggered. The levy was originally set at 15%. The Council received notification that a further demand would be made in April 2016 and this was for a further 10%. The total levy paid to date is £130,237. Zurich Municipal, on behalf of MMI, will handle any new claims dating back to the period that MMI were the Council's insurers and the Council will have to pay 25% of any settlement. The Council's 2017/18 Financial Risks make provision for any new claims relating to the period MMI was the Council's insurers.
- 5.4 The Council will tender its insurance portfolio in 2017, apart from its liability insurance, as this was tendered in 2016 due to an increase in terms.

## **6.0 Business Continuity**

- 6.1 During 2016/17, the new NHDC Resilience Plan was completed. The Resilience Plan combines NHDC's Emergency Planning and Business Continuity response arrangements into one plan with associated response and support plans.
- 6.2 To assist with Business Continuity preparedness for the office move from the Council Offices to Town Lodge a number of activities were completed, these included:
- Business Impact Assessments were reviewed with services in late 2015 to take into account the move to the temporary accommodation at Town Lodge.

- A programme of service area Business Continuity tabletop exercises was completed in May 2016.
- Senior management briefing given to SMT on Business Continuity issues to consider Business Continuity and arrangements for Emergency Planning for the period of the office move.
- Staff 'Z'Cards were issued for distribution to staff and a newsletter issued via the intranet to increase awareness about the office move and Business Continuity and Emergency Planning.
- Arrangements have been made for an Incident Control Centre secondary centre location in the event that the Town Lodge building is unavailable.

6.3 During 2017/18, the Service/Infrastructure Continuity Plans have been issued to Service Managers for update and following the move back from Town Lodge to the Council Offices a full review of the Business Impact Assessments and Service/Infrastructure Continuity Plans will be carried out to take account of any revisions to business risks.

## **7.0 Health and Safety**

### **7.1 DSE Training and Assessment**

There has been almost 100% completion rate following the introduction of the new DSE training/assessment package following the moves away from the DCO. The four outstanding assessments have been followed up through the Senior Management Team.

7.2 The new package splits the assessments into the following eight risk categories:

- |                         |       |
|-------------------------|-------|
| 1. Environment          | (0%)  |
| 2. Seating              | (4%)  |
| 3. Monitor              | (0%)  |
| 4. Keyboard and Mouse   | (0%)  |
| 5. Desk Area            | (1%)  |
| 6. User Comfort         | (29%) |
| 7. Laptop Use/Portables | (0%)  |
| 8. Other                | (5%)  |

Depending on the answers given by the officer, the system calculates each user's risks within each category. The system also produces a corporate wide percentage of high risk areas identified within each category (see percentage figures detailed above).

7.3 Corporately, the category with the highest concerns raised is User Comfort and the questions concentrate on physical effects placed on the users whilst using the equipment, i.e. experiencing headaches, aches and pains, stress and eye issues. The system provides suggestions to relevant individuals on how they can overcome any identified issues. If the suggestions do not resolve the highlighted issues, then a DSE assessor visits the officer and provides further advice.

### **7.4 Eye Tests**

The new eye care voucher scheme has been running since 1 June 2016 and a total of 37 vouchers have been issued to date at a cost of £629. This represents a saving of £1,161 based on the previous year's claims (33 claims at a cost of £1,790). There was also an additional five existing claims approved and claimed through SAP after 1 June 2016 start date, which equated to an additional £230, so overall the saving was £1,391.

## 8.0 Review of the Risk Management Framework at NHDC

- 8.1 The Shared Internal Audit Service (SIAS) undertook a risk management audit in 2016/17. This provided a substantial level of assurance and highlighted the Council's commitment to ensuring that effective risk management underpins all activities and thus supports the Council in achieving its stated objectives. SIAS made two "merits attention" recommendations to enhance risk management processes further.

## 9.0 Achieving the Significant Actions for 2016/17

- 9.1 The following were considered key milestones for 2016/17, in order to implement and develop the risk management framework at NHDC:

Action	Due Date
To agree degree of support required from HCC for risk management and insurance	30/06/16
Follow up staff training to be provided for specific roles arising from CDM regulations	30/09/16
To undertake internal audit on the risk management arrangements	31/12/16
To implement any recommendations arising from the internal audit on risk management	31/03/17

- 9.2 During the course of 2016/17, the Council saw the gradual withdrawal of risk management support provided by Hertfordshire County Council's (HCC) Risk and Insurance Manager who was formally the Performance and Risk Manager at the Council. As detailed in Paragraph 2.6, the Council's Finance, Performance and Asset Management service now delivers the risk management function. However, responsibility for managing risks ultimately remains with the relevant service managers and heads of service. HCC continues to deliver the Council's insurance services. NHDC will continue to review with HCC how it provides services to us, in order to manage costs and improve resilience.
- 9.3 The employing contractors section of the intranet has been updated to include the requirement to ensure all contractors selected are competent to carry out any works procured. Guidance notes, procedures and accreditation forms have also been added to the site. Client and Designer training for managing contracts/works under the CDM regulations has been identified and will be rolled out in the medium term.
- 9.4 As detailed in Paragraph 8.1, the Shared Internal Audit Service (SIAS) undertook a risk management audit in 2016/17. SIAS produced the Final Internal Audit Report in March 2017.
- 9.5 The Final Internal Audit Report included two "merits attention" recommendations to enhance risk management processes further. Both recommendations, relating to the Performance Improvement Officer's job description/person specification and communication of the current risk management arrangements, are scheduled to be completed by 31 May 2017.

## 10.0 Significant Actions for 2017/18

- 10.1 The implementation of the following key actions in 2017/18 will ensure the continued development of the risk management framework at NHDC during the year and beyond:

Action	Due Date
To implement the two recommendations arising from the SIAS internal audit of risk management	31/05/17
To review the structure of the Risk Management Group following publication of the details of the corporate restructure and to make any required changes to the group's Terms of Reference	Dependent on the timing of the corporate restructure

## 11.0 Conclusion

- 11.1 The Council continued to maintain robust risk management practices throughout 2016/17, evidenced through the changes made to the Corporate Risks summarised in this report. The outcome from the Council's risk management framework is to have a better understanding of the risks and opportunities it faces and to determine the most effective way to manage or exploit them. By employing these techniques, the Council is more risk aware.

## 12.0 Recommendations

- 12.1 Full Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 12.2 Full Council notes the changes to the Council's Corporate Risks in 2016/17.



## 13.0 Definitions

The following are the definitions of likelihood and impact used in NHDC's Risk Management Framework.

### Likelihood

<b>1. Low</b>	The event is unlikely to occur within the next 12 months.
<b>2. Medium</b>	The event will occur on more than one occasion (two to three times) within the next 12 months.
<b>3. High</b>	The event will occur on numerous occasions (four or more times) within the next 12 months

### Impact

Severity of Impact Guide							
Score	General	Personal Safety	Service Disruption	Financial Loss £	Project Delay	Impact on Stakeholders /Environment	Reputation
<b>1. Low</b>	Consequences will not be severe and associated losses will be small	Minor injury (first aid)	Negligible affect on service provision but may have a more significant cumulative affect if action is not taken	Up to £10,000	Delivery of project delayed by weeks	No impact on stakeholders Minor damage to local environment	Minimal reputation damage (local press article)
<b>2. Medium</b>	Will have a noticeable affect on services	Injury (external medical treatment required)	Will cause a degree of disruption to service provision and impinge on budgets	Medium financial loss £10,000 to £100,000	Delivery of project may be delayed by months	Some impact to stakeholders Moderate damage to local environment	Coverage in national tabloid press
<b>3. High</b>	Can have a catastrophic affect	Serious injury or loss of life	May result in significant financial loss or major service disruption	Major financial loss exceeding £100,000	Delivery of project no longer attainable	Significant impact on stakeholders Major damage to local environment	Extensive coverage in national press/national TV item

## 14.0 Risk Matrix for Corporate Risks as at 31 March 2017

### Summary Matrix

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Income Generation Projects</li> <li>• Office Accommodation</li> <li>• Sustainable Development (2 x Sub Risks)</li> <li>• Increased Homelessness and Use of B&amp;B</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Local Plan</li> <li>• Managing the Council's Finances</li> <li>• North Hertfordshire Museum and Hitchin Town Hall Project</li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Workforce Planning</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks</li> <li>• Waste and Street Cleansing Contract Renewal (8 x Sub Risks)</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>8</b>
----------------------------------	--

**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 13 JUNE 2017 – REVENUE BUDGET OUTTURN 2016/17**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 13 June 2017.*

**8. REVENUE BUDGET OUTTURN 2016/17**

The Cabinet Chairman presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Revenue Budget Outturn 2016/17. The following appendices were submitted with the report:

Appendix A – General Fund Summary 2016/17; and  
Appendix B – Carry Forward Budgets requested for 2017/18.

The Cabinet Chairman advised that the net expenditure on the General Fund in 2016/17 was £15.974million. This was a net decrease of £1.294million on the working budget of £17.268million. She referred to Table 2 of the report, which set out the significant variances, and she highlighted a number of these.

The Cabinet Chairman stated that the estimated impact on the 2017/18 budget was a £228,000 increase in budget, which included the request to carry forward £255,000 of budgets from 2016/17 to 2017/18 for projects that were not completed by the end of the financial year. The Cabinet was requested to approve the total budgets to be carried forward of £642,100.

The Cabinet Chairman explained that, at the end of 2016/17, the Council had retained a total of £3.227million of Business Rates income, £819,000 more than had been projected to this point. This was primarily due to the Council's Business Rates Collection Fund benefiting from a change in the discretionary reliefs issued. In 2015/16, NHDC issued retail reliefs worth £760,000. Any compensation received from Central Government for this relief would be posted to the General Fund and transferred to an earmarked reserve to fund the payment of the deficit on the Collection Fund. The equivalent retail relief issued in 2016/17, however, reduced to £16,000 due to a change in the national scheme. This reduction in relief issued therefore increased the level of Business Rates income in the Collection Fund and contributed to increasing the amount that the Council retained.

The Cabinet Chairman drew attention to Table 5 of the report, which summarised the General Fund impact at the end of March 2017, and which showed a difference of £2.272million.

The Head of Finance, Performance and Asset Management commented that the Cabinet was also being asked to recommend to Council that the net contribution to reserves of £4,000 be approved, which left a total balance in earmarked reserves at 31 March 2017 of £4.609million.

In respect of the increase in Planning Control Fees and Charges, the Executive Member for Planning and Enterprise commented that this was due to increased confidence amongst developers as a result of positive progress on the North Hertfordshire Local Plan. This was set to continue as applications were submitted on some of the larger allocated sites in the Plan. The Cabinet Chairman advised that, if the ability to meet statutory deadlines in respect of the determination of applications for such sites was compromised, she would be supportive of (if necessary) additional meetings of the Planning Control Committee being arranged.

**RESOLVED:**

- (1) That the contents of the report be noted;

- (2) That a decrease of £1.294million in the 2016/17 General Fund expenditure, as identified in Table 2 and Paragraph 8.1 of the report, to a total of £15.974million, be approved;
- (3) That the requested changes to the 2017/18 General Fund budget, as identified in Table 2 and Paragraph 8.2 of the report, of a £227,000 increase in net expenditure and the total carry forward into 2017/18 of budgets from 2016/17 of £642,000, be approved; and

**RECOMMENDED TO COUNCIL:** That the net transfer to earmarked reserves of £4,000, as identified in Table 6 and Paragraph 8.14 of the report, be approved.

**REASON FOR DECISION:** To monitor and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process; and to ensure that changes to the Council's balances are monitored and approved.

***The following is the report considered by the Cabinet at its meeting held on 13 June 2017.***

**TITLE OF REPORT: REVENUE BUDGET OUTTURN 2016/17**

**REPORT OF: THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE  
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM  
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT**

## **1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to inform Cabinet of the summary position on General Fund income and expenditure as at the end of the financial year 1 April 2016 to 31 March 2017. The report therefore includes;
- explanations for significant variances to the working budget estimates (**table 2**)
  - details of budgets requested to be carried forward (**appendix B to this report**)
  - confirmation of the funding position as the end of 2016/17 (**table 5**)
  - details of earmarked reserves movements and balances (**table 6**)

## **2. RECOMMENDATIONS**

- 2.1 That Cabinet note this report.
- 2.2 That Cabinet approves a decrease of £1.294m in the 2016/17 net General Fund expenditure, **as identified in table 2** and **paragraph 8.1**, to a total of £15.974million.
- 2.3 That Cabinet approves the requested changes to the 2017/18 General Fund budget, **as identified in table 2** and **paragraph 8.2**, of a £227k increase in net expenditure and the total carry forward into 2017/18 of budgets from 2016/17 of £642k.
- 2.4 That Cabinet recommend that Council approve the net transfer to earmarked reserves, **as identified in table 6**, of £4k.

## **3. REASONS FOR RECOMMENDATIONS**

- 3.1 Members are able to monitor 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 live within the existing budget but consider the variances reported here necessary and appropriate, and in accordance with spend incurred during the year.

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

- 5.1 Consultation on the budget monitoring 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**

COUNCIL (19.7.17)

6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 3<sup>rd</sup> March 2017.

## 7. BACKGROUND

7.1 Council approved the revenue budget in February 2016 of **£16.553 million**. As at quarter 1 the working budget was increased to £17.325 million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - 2016/17 Working Budget**

	<b>£k</b>
Quarter 1 working budget	17,325
Quarter 1 2016/17 Revenue Monitor - variances approved by Cabinet	122
Quarter 2 2016/17 Revenue Monitor - variances approved by Cabinet	19
High level revenue monitoring included in 2017/18 budget report – variances approved by cabinet January 2017	(468)
Quarter 3 2016/17 Revenue Monitor - variances approved by Cabinet	270
<b>Working budget at Financial Year End 2016/17</b>	<b>17,268</b>

## 8. RELEVANT CONSIDERATIONS

### GENERAL FUND INCOME AND EXPENDITURE

8.1 Cabinet are asked to approve the net expenditure on the General Fund in 2016/17 of £15.974million (recommendation 2.2). This is a net decrease of £1.294million on the working budget of £17.268million. Rather than list and explain every variance, Table 2 below highlights the most significant variances, which are generally more than £25k, and provides an explanation for each. The final columns details if a carry forward into 2017/18 is requested and the impact on base budget for next year:

**Table 2- Summary of forecast variances**

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry-forward requested £k	2017/18 Impact £k
Corporate Vacancy Control Savings Target	+192	0	-192	The over-achievement of the vacancy control savings target is due to a greater level of posts held vacant as managers considered alternative options for service delivery. It is requested that £53k of this budget is carried forward and transferred to the Strategic Priorities Fund in 2017/18.	+53	0
Strategic Priorities Fund	+47	0	-47	Budget provision of £104k was approved for the Strategic Priorities Fund in 2016/17, of which a total of £57k was allocated to successful investment bids. It is requested that the remaining £47k go towards a	+47	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry-forward requested £k	2017/18 Impact £k
				new allocation of £100k for 2017/18.		
Parking Penalty Charge Notice Income	-452	-538	-86	A lower level of vacancies within the parking enforcement team has facilitated more effective parking patrols, which has resulted in higher income during the second half of the year.	0	0
Howard Park Repairs and Maintenance	+41	+5	-36	The recent capital investment and significant maintenance spend in the previous year combined to temporarily reduce the level of maintenance required in year at Howard Park.	0	0
Legal Services Fees and Charges Income	-62	-96	-34	This income overachievement is mainly due to an increase in work demanded from two neighbouring authorities, which was able to be facilitated within the demands of the NHDC caseload and with the use of an additional lawyer for part of the year. It is requested that the additional income reported is used to fund temporary staffing needs in 2017/18 and thus enable further income generation.	0	+34
Council Tax Analysis	0	+44	+44	Costs relate to work commissioned to review empty homes in order to capture all properties that should be paying council tax. The benefits to NHDC are an increase in the Council Tax base and increased New Homes Bonus funding.	0	0
Business Rates Analysis	+50	+78	+28	This expenditure relates to specialist software that identifies businesses that are not paying the correct level of Business Rates. The Council is invoiced by the software developer each time an adjustment to the rate charged is identified through the software. A higher number of discrepancies than anticipated were identified in February and March. The corresponding benefit to the Council will be realised in the Collection Fund.	0	0
<b>Housing Benefits (HB)</b>						
HB Payments	+36,415	+36,114	-301	Housing Benefit Payments and corresponding subsidy received were less than the mid year estimates, due to a lower number of claimants than anticipated. This offsets partly with the reduced subsidy claimed.	0	0
HB Subsidy	-36,010	-35,754	+256		0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry-forward requested £k	2017/18 Impact £k
HB Overpayments Income	-358	-468	-110	Higher than estimated overpayments income followed an unexpectedly large number of overpayments income invoices raised in February and March. This was partially offset by the movement in the final quarter of the contribution required to the corresponding bad debt provision, which was identified as a financial risk in 2016/17.	0	0
HB Overpayments Bad Debt Provision	+300	+310	+10		0	0
<b>Total</b>	<b>+347</b>	<b>+202</b>	<b>-145</b>		<b>0</b>	<b>0</b>
Planning Policy Consultants	60	0	-60	Following the submission of the Local Plan, work will commence on the viability of the Council introducing a Community Infrastructure Levy (CIL). A carry forward is requested to meet the cost of this exercise in 2017/18.	+60	0
Planning Control Fees and Charges Income	-660	-734	-74	The positive progress of the Local Plan in the latter part of 2016/17 has resulted in increased confidence amongst developers. This has led to additional fee income for Planning Control. The approved budget for 2017/18 included an increase in income of £50k on this basis.	0	0
Private Sector Housing Consultants Expenditure	+25	0	-25	This budget was earmarked in 2016/17 for the Council's participation in the County Council led "Warmer houses project". The aim of the project is the installation of energy efficient measures for low income households living in the district's private sector. At the end of the financial year however the partnership agreement with the organisations involved was not yet finalised. It is therefore requested to carry this budget forward into 2017/18.	+25	0
Estates Rental Income	-479	-575	-96	Additional income primarily due to the completion of a new lease for premises in Royston, which was backdated to January 2013 and included over £80k in back rent. There have also been a number of rent reviews that have included backdated adjustments to rent due.	0	-49
Council Properties Contract Cleaning	+69	+37	-32	Routine cleaning required in year was lower due to the office decant. Expected additional one-off expenditure due to the relocation of offices was also less than anticipated.	0	0
External Audit	+78	+58	-20	External Audit fees, which are	0	-20



Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry-forward requested £k	2017/18 Impact £k
Fees				prescribed by the Audit Commission, were reduced by 25% compared to the prior year. This reduction followed the lower prices achieved from an audit procurement exercise in 2014. There were no changes to the overall work programme.		
Local Land Charges – Transfer from Earmarked Reserve	-70	-18	+52	The planned transfer of £70k from reserves to cover one off costs incurred in year put the land charges overall total into a surplus position. At year-end this surplus element has been transferred back to the earmarked reserve, with the service having a net zero impact on the General Fund outturn.	0	0
IT Maintenance	+664	+608	-56	Due to other corporate high priority projects that were not on the IT Service Plan for 2016/17, IT did not have the staffing resource available to undertake other planned IT maintenance works. The costs associated with these works were therefore not incurred in the year.	0	0
Document Scanning Income	0	-36	-36	One-off income received from North Herts Homes for a document scanning exercise undertaken by the Council.	0	0
Careline Net Direct Trading Expenditure	-303	-240	+63	The 2016/17 financial year marked Year 2 of the three year Careline business improvement plan. Progress continues to be made – revenues in the year increased by over 33% and the Net Direct (Surplus) also increased by 20% - resulting in a contribution of £240k to the Council's overheads. Year 3 (2017/18), however, is likely to be more subdued as a consequence of a consolidation of Careline's corporate client base, an allied realignment of staffing levels, and planned infrastructure investment.	0	0
Neighbourhood Plans - Transfer from earmarked reserve	0	0	-33	Drawdown from earmarked reserve of related grant received in prior years from DCLG to cover apportioned staff costs of neighbourhood planning work undertaken in 2016/17.		
<b>Total of explained variances</b>	<b>-453</b>	<b>-1,238</b>	<b>-785</b>		<b>185</b>	<b>-35</b>
Other minor	17,721	17,212	-509		70	8

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry-forward requested £k	2017/18 Impact £k
balances						
<b>Overall Total</b>	<b>17,268</b>	<b>15,974</b>	<b>-1,294</b>		<b>255</b>	<b>-27</b>

- 8.2 Cabinet are asked to approve the estimated impact on the 2017/18 budget, a £228k increase in budget (recommendation 2.3), which includes the request to carry forward £255k of budgets from 2016/17 to 2017/18 for projects that were not completed by the end of the financial year. Cabinet are asked to approve the total budgets requested to be carried forward (including those highlighted in reporting at month 8 and quarter 3) of £642k (recommendation 2.3). A full breakdown of amounts requested to be carried forward with accompanying explanation is presented in Appendix B.
- 8.3 The original approved budget for 2016/17 (and therefore working budget) included efficiencies totalling £357k, which were agreed by Council in February 2016. A total of £400k has been achieved in the year. This overachievement of £43k relates to;
- Legal Services initiative - a total of £59k (£25k was reported at quarter 2) additional income has been generated in 2016/17. This efficiency was recorded as "TBC" when the original budget 2016/17 was approved in February 2016.
  - Introduction of charging for car parking at Norton Common – Additional income of £4k was achieved in 2016/17 against the income generation estimate in the budget of £20k. The income estimate included in the original budget was not prepared on the basis that car parking at Norton Common would be free for stays of up to 2 hours.
- 8.4 The working budget for 2016/17 included budgets totalling £660k 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 2015/16 but was delayed into 2016/17. At the end of the year, one carry forward has not been spent and is not requested to be carried forward again. This relates to the carry forward of £5k budget for the purchase of e-billing software. This spend was dependent on the conclusion of the options considered for outbound mail. All other carry forward budgets have either been spent in 2016/17 or are requested to be carried forward, in part or in full, into 2017/18 as the projects have not been completed in 2016/17.

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

- 8.5 The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus, Retained Business Rates and Revenue Support Grant. The Council was notified by Central Government in February of the respective amounts of New Homes Bonus and Revenue Support Grant funding it can expect to receive in 2017/18 and has planned accordingly.
- 8.6 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 others (e.g. County Council). Each organisation has a share of the balance on the Collection Fund account. Both are affected by collection rates, which is the proportion of what is billed that is actually received. Business Rates are heavily affected by appeals and reliefs. Business rates are based on a rateable value that is calculated by the Valuation Office Agency and some businesses have been able to show that this value is incorrect and appeal against it. The amount that is refunded as a result of a successful appeal can go back a number of years. Central Government have implemented a number of reliefs to reduce the burden of business rates and

therefore promote business growth. The Council receives compensation for these reliefs in the form of a grant, which goes in to our funds rather than the Collection Fund. We are holding this amount in a reserve.

- 8.7 The deficit incurred on the Collection Fund for 2015/16 was £573k. A contribution to the Collection Fund from the General Fund was made in 2016/17 to fully cover this deficit. This payment was funded from the grant held in reserve.
- 8.8 At the end of 2016/17 there is a surplus on the NHDC share of the Council Tax Collection Fund of approximately £209k and a deficit on the Business Rates Collection Fund of around £820k. Use of the amount held in the reserve, which is £489k at the end of the year, will significantly reduce the impact on the General Fund balance in 2017/18 of the contribution required to the Collection Fund to cover this deficit.
- 8.9 The Council is also subject to a business rates levy from Central Government as NHDC has collected more in business rates than the baseline need determined by Central Government. NHDC remained in the Hertfordshire Business Rate pool for 2016/17 with the expectation that this would reduce the levy amount required. This was the case in 2016/17, with the Council benefiting from a pooling gain of £154k in the form of a reduced levy contribution, with the calculated levy reduced from a total of £239k to £85k. This has been added to the DCLG grants reserve.
- 8.10 At the end of 2016/17 the Council has retained a total of £3.227m of Business Rates income, £819k more than had been projected to this point. This is primarily due to the Council's Business Rates Collection Fund benefiting from a change in the discretionary reliefs issued. In 2015/16 North Herts issued retail reliefs worth £760k. Any compensation received from Central Government for this relief would be posted to the General Fund and transferred to an earmarked reserve to fund the payment of the deficit on the Collection Fund. The equivalent retail relief issued in 2016/17 however reduced to £16k due to a change in the national scheme. This reduction in relief issued therefore increased the level of Business Rates income in the Collection Fund and contributed to increasing the amount that the Council retains.
- 8.11 In 2017/18 NHDC will no longer be in the Business Rates pool, as the Hertfordshire pool has been disbanded. This was due to a significant change in the Business Rates estimates provided in January from one of the pool members, which meant it was no longer beneficial for the member authorities to form a pool. NHDC and the other authorities in the pool will review the situation again in due course to establish whether requesting the reformation of the pool for financial year 2018/19 would be financially worthwhile (if the option continues to be available).
- 8.12 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 2). 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 **£866k**, and by the end of the year a total of **£469k** have come to fruition. The two identified risks realised in the final quarter relate to;
- Lower than anticipated income from the collection of court summons fees (included within other minor variances total in table 2). £11k

- Higher than estimated contribution required to the bad debt provisions in relation to the collection of benefit overpayments identified (as highlighted in table 2) and Council Tax collection (included within other minor variances total in table 2) £21k

**Table 4 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>866</b>
Known financial risks realised in quarter 1	(54)
Known financial risks realised in quarter 2	(211)
Known financial risks realised in quarter 3	(182)
Known financial risks realised in quarter 4	(32)
<b>Allowance for known financial risks remaining</b>	<b>387</b>

8.13 Table 5 below summarises the impact on the general fund. The change in the brought forward balance reflects the increase in the revenue underspend between the forecast at period 8 (November) and the actual position at the end of March in 2015/16. It should 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 5 - General Fund impact**

	<b>Budget agreed by Council £k</b>	<b>Outturn £k</b>	<b>Difference £k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2016)</b>	<b>(6,216)</b>	<b>(7,085)</b>	<b>(869)</b>
Projected Net Spend	16,553	15,974	(579)
Funding (Council Tax, Business Rates, RSG)	(16,300)	(17,124)	(824)
Contribution to Collection Fund	0	573	573
Funding from Reserves (including Business Rate Relief Grant)	0	(573)	(573)
<b>Carried Forward balance (31<sup>st</sup> March 2017)</b>	<b>(5,963)</b>	<b>(8,235)</b>	<b>(2,272)</b>

## **EARMARKED RESERVES**

8.14 The Council has a number of earmarked reserves which can be used to fund revenue expenditure. These are detailed in Table 6 below. A total of £1.160million has been contributed to the reserves in 2015/16 and a total of £1.156million has been used to fund expenditure. Cabinet are asked to recommend to Council that the net contribution to reserves of £4k be approved (recommendation 2.4), which leaves a total balance in earmarked reserves at 31 March 2017 of £4.609million.

**Table 6 – Earmarked Reserves**

	Balance at 1 April 2016	Contributions to reserve	Payments to Fund expenditure	Balance at 31 March 2017
	£'000	£'000	£'000	£'000
Cemetery Mausoleum	118	11	0	129
Children's Services	10	6	(8)	8
Climate Change Grant	30	0	0	30
Community Development	1	0	0	1
Community Right to Bid	45	0	0	45
DCLG Grants	549	743	(803)	489
DWP Additional Grants	13	107	(116)	4
Environmental Warranty Reserve	209	0	0	209
Growth Area Fund	53	0	0	53
Homelessness	33	9	0	42
Housing Planning Delivery Reserve	370	81	(83)	368
Information Technology Reserve	82	0	0	82
Insurance Reserve	36	0	(4)	32
Leisure Management Reserve	89	0	0	89
Local Authority Mortgage Scheme	82	25	0	107
Museum Exhibits Reserve	13	0	0	13
Neighbourhood Plan Reserve	55	6	(40)	21
Office Move IT Works	7	0	0	7
Paintings Conservation	13	0	(2)	11
Personal Search Fees	179	53	(71)	161
Property Maintenance	58	10	0	68
Syrian Refugee Project	0	29	(10)	19
S106 Monitoring	84	0	(16)	68
Special Reserve	1,720	0	0	1,720
Street Furniture	6	4	0	10
Street Name Plates	8	30	0	38
Taxi Licences Reserve	6	6	0	12
Town Centre Maintenance	34	8	(3)	39
Town Wide Review	222	0	0	222
Waste Reserve	480	32	0	512
<b>Total Revenue Reserves</b>	<b>4,605</b>	<b>1,160</b>	<b>(1,156)</b>	<b>4,609</b>

## 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. 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.
- 9.2 The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published by the deadline date of 30 September 2017. Members are reminded of the duty to set a balanced budget and to maintain a prudent level of reserves.

## 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 £8.235million (table 5) 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 an unplanned overspend 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. HUMAN RESOURCE IMPLICATIONS**

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

## **15. APPENDICES**

15.1 Appendix A – General Fund Summary 2016/17.

15.2 Appendix B – Carry Forward Budgets requested for 2017/18.

## **16. CONTACT OFFICERS**

16.1 Antonio Ciampa, Accountancy Manager  
[antonio.ciampa@north-herts.gov.uk](mailto:antonio.ciampa@north-herts.gov.uk); ext 4566

16.2 Jodie Penfold, Group Accountant  
[jodie.penfold@north-herts.gov.uk](mailto:jodie.penfold@north-herts.gov.uk); ext 4332

16.3 Ian Couper, Head of Finance, Performance and Asset Management  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk); ext 4243

16.4 Norma Atlay, Strategic Director of Finance, Policy and Governance  
[norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk); ext 4297

- 16.5 Kerry Shorrocks, Head of Human Resources  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk); ext 4224
- 16.6 Anthony Roche, Corporate Legal Manager and Monitoring Officer  
[anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk); ext 4588
- 16.7 Reuben Ayavoo, Policy Officer  
[reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk); ext 4212

**17. BACKGROUND PAPERS**

- 17.1 Budget Estimate Book 2016/17.
- 17.2 Statement of Accounts 2015/16.

This page is intentionally left blank



# GENERAL FUND SUMMARY

Actual		Original Budget Total Net Expenditure (after recharges) 2016/17	Working Budget		Working Budget		Actual		Budget Gross Direct Expenditure Working Budget 2016/17	Actual Gross Direct Expenditure 2016/17	Budget Gross Direct Income Working Budget 2016/17	Actual Gross Direct Income 2016/17	Actual Net Direct Spend 2016/17	Actual Capital Charges 2016/17	Actual Support Service Recharges 2016/17	Actual Total Net Expenditure (after recharges) 2016/17	Actual Variance to working budget 2016/17	
Net Direct Spend 2015/16 £	Total Net Expenditure 2015/16 £		Net Direct Spend 2016/17 £	Total Net Expenditure (after recharges) 2016/17 £	Net Direct Spend 2016/17 £	Total Net Expenditure (after recharges) 2016/17 £	Net Direct Spend 2016/17 £	Actual Net Direct Spend 2016/17 £										Variance 2016/17 £
<b>Chief Executive</b>																		
180,363	0cr	182,800	0	182,800	0	182,800	183,870	1,070	182,800	183,870	0	0	183,870	0	183,870cr	0	0	
448,970	879,241cr	713,300	2,301,600cr	659,250	2,355,650cr	659,250	381,439	277,811cr	1,099,650	4,381,432	440,400cr	3,999,993cr	381,439	3,181,575cr	1,216,272	1,583,864cr	771,786	
787,825	1,635,548	826,000	1,778,700	789,500	1,742,200	789,500	782,335	7,165cr	1,107,400	1,113,380	317,900cr	331,045cr	782,335	0	1,016,208	1,798,543	56,343	
<b>1,417,158</b>	<b>756,307</b>	<b>1,722,100</b>	<b>522,900cr</b>	<b>1,631,550</b>	<b>613,450cr</b>	<b>1,631,550</b>	<b>1,347,644</b>	<b>283,906cr</b>	<b>2,389,850</b>	<b>5,678,682</b>	<b>758,300cr</b>	<b>4,331,038cr</b>	<b>1,347,644</b>	<b>3,181,575cr</b>	<b>2,048,610</b>	<b>214,679</b>	<b>828,129</b>	
<b>Customer Services</b>																		
360,992	0cr	321,500	0	450,800	129,300	450,800	451,075	275	450,800	451,075	0	0	451,075	0	451,075cr	0	129,300cr	
184,202	16,149	192,600	7,800	206,700	21,900	206,700	204,006	2,694cr	217,600	213,553	10,900cr	9,547cr	204,006	0	198,668cr	5,338	16,562cr	
427,673	881,225	422,200	945,500	454,700	978,000	454,700	487,579	32,879	555,000	564,614	100,300cr	77,035cr	487,579	211,776	325,128	1,024,484	46,484	
721,899	0	810,600	0	762,000	48,600cr	762,000	706,625	55,375cr	778,100	721,036	16,100cr	14,411cr	706,625	18,130	724,755cr	0	48,600	
379,060	0	412,100	0	405,500	6,600cr	405,500	387,358	18,142cr	405,500	387,808	0	450cr	387,358	0	387,358cr	0	6,600	
4,558,395	7,752,755	4,890,300	8,354,100	4,718,200	8,182,000	4,718,200	4,440,985	277,215cr	10,571,400	10,472,815	5,853,200cr	6,031,831cr	4,440,985	1,711,051	1,399,692	7,551,727	630,273cr	
<b>6,632,220</b>	<b>8,650,129</b>	<b>7,049,300</b>	<b>9,307,400</b>	<b>6,997,900</b>	<b>9,256,000</b>	<b>6,997,900</b>	<b>6,677,627</b>	<b>320,273cr</b>	<b>12,978,400</b>	<b>12,810,901</b>	<b>5,980,500cr</b>	<b>6,133,273cr</b>	<b>6,677,627</b>	<b>1,940,957</b>	<b>37,036cr</b>	<b>8,581,548</b>	<b>674,452cr</b>	
<b>Finance, Policy &amp; Governance</b>																		
409,256	9,526	417,900	5,200	522,800	110,100	522,800	521,832	968cr	530,000	529,032	7,200cr	7,200cr	521,832	0	516,387cr	5,446	104,654cr	
494,650	127,595	489,800	68,500	488,700	67,400	488,700	446,747	41,953cr	550,600	543,247	61,900cr	96,500cr	446,747	0	395,549cr	51,198	16,202cr	
627,521	1,682,998cr	892,500	903,900cr	893,050	903,350cr	893,050	710,946	182,104cr	2,085,250	1,975,353	1,192,200cr	1,264,407cr	710,946	254,355	2,119,655cr	1,154,354cr	251,004cr	
777,970	1,168,371	781,100	1,374,300	770,200	1,363,400	770,200	724,542	45,658cr	881,200	829,316	111,000cr	104,774cr	724,542	663,196	133,586	1,521,324	157,924	
2,547,209	1,732,407	2,371,300	1,539,200	2,911,100	2,079,000	2,911,100	2,719,280	191,820cr	40,799,100	40,571,874	37,888,000cr	37,852,594cr	2,719,280	255,202	1,130,083cr	1,844,399	234,601cr	
153,575	192,774	240,200	276,200	118,000	154,000	118,000	117,175	825cr	118,000	117,175	0	0	117,175	0	37,765	154,940	940	
<b>5,010,181</b>	<b>1,547,676</b>	<b>5,192,800</b>	<b>2,359,500</b>	<b>5,703,850</b>	<b>2,870,550</b>	<b>5,703,850</b>	<b>5,240,522</b>	<b>463,328cr</b>	<b>44,964,150</b>	<b>44,565,997</b>	<b>39,260,300cr</b>	<b>39,325,475cr</b>	<b>5,240,522</b>	<b>1,172,752</b>	<b>3,990,323cr</b>	<b>2,422,952</b>	<b>447,598cr</b>	
<b>Planning, Housing &amp; Enterprise</b>																		
226,445	1	223,400	0	224,500	1,100	224,500	225,547	1,047	224,500	225,547	0	0	225,547	0	225,547cr	0	1,100cr	
278,817	700,049	363,200	761,900	527,100	925,800	527,100	444,186	82,914cr	1,335,000	1,324,129	807,900cr	879,943cr	444,186	0	401,358	845,544	80,256cr	
809,577	1,319,646	1,057,000	1,485,600	1,039,400	1,468,000	1,039,400	872,019	167,381cr	1,329,900	1,178,705	290,500cr	306,687cr	872,019	244	685,945	1,558,208	90,208	
1,134,982	2,533,328	945,300	3,161,600	1,143,900	3,360,200	1,143,900	1,164,666	20,766	3,402,400	3,462,713	2,258,500cr	2,298,048cr	1,164,666	67,620	1,118,800	2,351,086	1,009,114cr	
<b>2,449,822</b>	<b>4,553,023</b>	<b>2,588,900</b>	<b>5,409,100</b>	<b>2,934,900</b>	<b>5,755,100</b>	<b>2,934,900</b>	<b>2,706,417</b>	<b>228,483cr</b>	<b>6,291,800</b>	<b>6,191,095</b>	<b>3,356,900cr</b>	<b>3,484,678cr</b>	<b>2,706,417</b>	<b>67,865</b>	<b>1,980,556</b>	<b>4,754,838</b>	<b>1,000,262cr</b>	
<b>15,509,381</b>	<b>15,507,134</b>	<b>16,553,100</b>	<b>16,553,100</b>	<b>17,268,200</b>	<b>17,268,200</b>	<b>17,268,200</b>	<b>15,972,211</b>	<b>1,295,989cr</b>	<b>66,624,200</b>	<b>69,246,674</b>	<b>49,356,000cr</b>	<b>53,274,464cr</b>	<b>15,972,211</b>	<b>0cr</b>	<b>1,806</b>	<b>15,974,017</b>	<b>1,294,183cr</b>	
	1,033,290	1,056,169	1,056,169	1,056,169	1,056,169	1,056,169	1,056,169	0					1,056,169			1,056,169	0	
<b>16,540,424</b>	<b>Overall Net Expenditure</b>	<b>17,609,269</b>	<b>17,609,269</b>	<b>18,324,369</b>	<b>18,324,369</b>	<b>18,324,369</b>	<b>17,028,380</b>	<b>1,295,989cr</b>	<b>66,624,200</b>	<b>69,246,674</b>	<b>49,356,000cr</b>	<b>53,274,464cr</b>	<b>17,028,380</b>	<b>0cr</b>	<b>1,806</b>	<b>17,030,186</b>	<b>1,294,183cr</b>	
1,800,975cr	Revenue Support Grant		821,300cr		821,300cr												821,280cr	20
2,455,411cr	Retained Business Rates		2,408,400cr		2,408,400cr												3,226,965cr	818,565cr
2,401,107cr	New Homes Bonus		2,718,000cr		2,718,000cr												2,723,638cr	5,638cr
86,126cr	Homeslessness Grant		86,300cr		86,300cr												86,300cr	0
-	Transition Grant		144,700cr		144,700cr												144,732cr	32cr
9,853,746cr	District Precept		10,171,900cr		10,171,900cr												10,171,906cr	6cr
966,052cr	Parish Precept		1,005,472cr		1,005,472cr												1,005,472cr	0cr
<b>17,563,417cr</b>	<b>Total External Resources and Precepts</b>		<b>17,356,072cr</b>		<b>17,356,072cr</b>												<b>18,180,293cr</b>	<b>824,221cr</b>
1,022,993cr	Surplus (cr) / Deficit (dr)		253,197dr		968,297												1,150,107cr	2,118,405cr

**General Fund Balance**

Actual	Budget	Budget	Outturn	Working Budget	Original Budget
Total Net Expenditure 2015/16	Original Budget 2016/17	Working Budget 2016/17	Total Net Expenditure 2016/17	Working Budget Variance 2016/17	Original Budget Variance 2016/18
6,021,576cr	6,215,593cr	7,084,717cr	7,084,717cr	Odr	869,125cr
1,022,993cr	253,197	968,297	1,150,107cr	2,118,405cr	1,403,305cr
Contributions to/from Reserves:					
Special Reserve					
1,301,713dr	0dr	0dr	573,284dr	573,284dr	573,284dr
1,341,861cr	0dr	0dr	573,284cr	573,284cr	573,284cr
7,084,717cr	5,962,395cr	6,116,420cr	8,234,825cr	2,118,405cr	2,272,429cr

This page is intentionally left blank

DESCRIPTION OF REASON FOR CARRY FORWARD	New Requests for Carryforwards at Month 8	New Requests for Carryforwards at 3rd Qtr	New Requests for Carryforwards at Closure	TOTAL CARRY FORWARD AMOUNT	EXPLANATION
<b>Chief Executive</b>					
<b>Corporate Projects</b>					
Commercialisation Project	95,000			<b>95,000</b>	Due to complexities of the project, the business case has taken longer to develop. (To investigate the methods by which the council can generate revenue income through an arms length company or similar structure and proceed to establish that structure so that it may benefit from traded services. For example to consider how it might generate revenue income from its capital and land holdings. The working assumption is that this will be achieved via housing provision at market rents through an arms-length company. If approved, this proposal then continues into a capital bid for 17/18).
Strategic Priorities Fund			47,000	<b>47,000</b>	Budget provision of £104k was approved for the Strategic Priorities Fund in 2016/17, of which a total of £57k was allocated to successful investment bids. It is requested that the remaining £47k go towards a new allocation of £100k for 2016/17.
Vacancy Control			53,000	<b>53,000</b>	The £192k over-achievement of the vacancy control savings target is due to a greater level of posts held vacant as managers considered alternative options for service delivery. It is requested that £53k of this budget is carried forward and transferred to the Strategic Priorities Fund in 2016/17.
<b>Customer Services Directorate</b>					
<b>Refuse Service</b>					
AFM Expenditure Provision			11,400	<b>11,400</b>	£11,400 is requested to be carried forward to meet the remaining cost of the fixed term Technical Waste Officer post from April 2017 to January 2018.
<b>On Street Parking</b>					
Lines and Signs		42,000		<b>42,000</b>	Progress in commissioning works identified from the lines and signs audit has not been as expected this year due to the long term absence of the relevant officer responsible and other staff resources in the Strategic Planning Team being focused on progressing the Local Plan.

DESCRIPTION OF REASON FOR CARRY FORWARD	New Requests for Carryforwards at Month 8	New Requests for Carryforwards at 3rd Qtr	New Requests for Carryforwards at Closure	TOTAL CARRY FORWARD AMOUNT	EXPLANATION
<b>Finance, Policy and Governance</b>					
<b>Internal Audit</b>					
SIAS			11,300	<b>11,300</b>	The number of billable days of internal audit work delivered was less than the original plan due to resourcing issues. It was agreed at the FAR Committee of 22/03/2017 that 40 days would be carried forward to 2017/18.
<b>Legal Services</b>					
Learning and Development			10,300	<b>10,300</b>	The carry forward request relates to the remainder of Legal Practice Course fees covering the period to June 2018. The budget for the full course fee of £15,300 was transferred from the ring fenced Learning & Development budget in 2016/17.
<b>MSU</b>					
Document Management Scanning		20,000		<b>20,000</b>	The carry forward requested is to fund the digitalisation of historic contract documentation, which is due to be sent for scanning in April and May. The back scanning of legal title deeds is almost complete, with the last batch of legal deeds to be digitally archived before the end of the financial year.
Other Consultants			10,000	<b>10,000</b>	The carry forward is requested for additional consultancy services to ensure the successful implementation of the new Uniform system. The implementation was delayed and is expected to be completed by July 2017.
<b>Area Committees</b>					
Area Committee Grants	48,700		800	<b>49,500</b>	Following the cycle of Area Committee meetings in December and March there were a number of grant applications received there is expected to be budget which will be carried forward due to a number of factors: number of applications and the amounts requested are less than the what is available; grants which have been awarded will require the groups to meet certain criteria before being released; the cool off period will go into the new financial year.

DESCRIPTION OF REASON FOR CARRY FORWARD	New Requests for Carryforwards at Month 8	New Requests for Carryforwards at 3rd Qtr	New Requests for Carryforwards at Closure	TOTAL CARRY FORWARD AMOUNT	EXPLANATION
<b>Planning Housing and Enterprise Directorate</b>					
<b>Building Control</b>					
Other consultants		19,500		<b>19,500</b>	Following a successful migration by one authority, the migration of the 6 remaining authorities onto the single IT platform has commenced. NHDC's building control service migration aims to be complete by May 2017. The remaining £19.5k budget will be used, if required, to facilitate the migration.
<b>Planning Policy</b>					
Consultants for the introduction of CIL	27,000		60,000	<b>87,000</b>	Following submission of the Local Plan, work will commence on the viability of the Council introducing a Community Infrastructure Levy (CIL). A rough estimate from 2015/16 of the potential return from a CIL based upon the currently submitted Local Plan is circa £1 million, with 5% kept by NHDC to cover administration, upto 25% going to Parishes/ Neighbourhoods, and the remainder being spent on infrastructure (HCC and NHDC).
<b>Planning Projects</b>					
Consultants for extending boundary of Chilterns Area	20,000			<b>20,000</b>	Budget for extending the Chiltern Area of Natural Beauty will need to be carried forward again to 2017/18. The decision on whether this work takes place is with Natural England, the application has been submitted by the Chilterns Conservation Board on behalf of NHDC and the Board is waiting to hear their decision on whether the application has been successful. Officers will continue to track progress and engage positively with the Chilterns Conservation Board and Natural England on how this proposal is progressed. No timeline has been given by Natural England when they will process the application. Should the application be successful then work on extending the boundary will commence.
Economic Development Officer		52,000		<b>52,000</b>	The Council appointed its Economic Development officer on 01 December 2016. The carry forward together with the reserve will be used to facilitate the adopted Economic Development Action Plan.

DESCRIPTION OF REASON FOR CARRY FORWARD	New Requests for Carryforwards at Month 8	New Requests for Carryforwards at 3rd Qtr	New Requests for Carryforwards at Closure	TOTAL CARRY FORWARD AMOUNT	EXPLANATION
Churchgate		52,500		<b>52,500</b>	The budget has not yet been called upon, but it is proposed to keep it available in the event that it is needed.
Highways Parking consultants			12,900	<b>12,900</b>	A review of the Council's parking strategy is underway, phase 1 has been completed and is being implemented, and phase 2 is progressing. The carry forward requested is to allow the completion of this work.
<b>Private Sector Housing</b>					
Consultants			38,700	<b>38,700</b>	Request to carry forward budget for energy projects; £25.2k to fund stock condition. It is proposed that this amount is carried forward to enable the Council's participation in the County led "Warmer houses project". The aim of the project is the installation of energy efficient measures for low income households living in the district's private sector. £13.5k funds the provision of housing market information and it is proposed this amount is carried forward to provide some capacity to review the potential implications of legislative changes such as the Housing & Planning Act, and the Homelessness reduction bill, as well as the ongoing impact of welfare reform.
<b>Careline</b>					
Marketing, general fund		10,000		<b>10,000</b>	The re-commissioning of the Herts Careline website was scheduled to take place in Qtr. 4 of 2016/17. However, this has been delayed until Qtr. 1 of 2017/18 in order to reflect the emergent Hertfordshire County Council Assistive Technology Strategy which is expected to be ratified by HCC in April 2017 and endorsed by the Health and Wellbeing Board in June 2017. This Strategy is expected to emphasize the importance of communication, particularly as regards seamless referrals from social workers to Herts Careline - the new website will facilitate this
<b>TOTAL</b>	<b>190,700</b>	<b>196,000</b>	<b>255,400</b>	<b>642,100</b>	

**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 13 JUNE 2017 – ANNUAL TREASURY MANAGEMENT REVIEW 2016/17**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 13 June 2017.*

**9. ANNUAL TREASURY MANAGEMENT REVIEW 2016/17**

The Cabinet Chairman presented a report of the Strategic Director of Finance, Policy and Governance in respect of the Annual Treasury Management Review 2016/17. The following appendix was submitted with the report:

Appendix A – Annual Treasury Management Review 2016/17.

The Cabinet Chairman advised that, during 2016/17, the Council had generated £0.444million of interest from its investments. This was slightly above the budgeted total of £0.440million. The Council continued to invest in smaller Building Societies (subject to checks that compared the size of the Society with that of the investment) but did not invest outside of the United Kingdom.

The Cabinet Chairman stated that the Council had repaid £1.035million of borrowing during the year as it had matured. The Council had £0.480million of remaining borrowing. This borrowing was at a fixed rate for a fixed period. The premium from repaying this borrowing early meant that it was not worthwhile.

The Cabinet noted that the Council complied with its legislative and regulatory requirements. There was one minor breach of the limit that was set on the percentage that could be invested with a single counterparty.

The Cabinet Chairman explained that the forecast was that investment income would continue to fall due to market conditions and balances being used to fund the Capital Programme.

**RESOLVED:** That the position of Treasury Management activity as at the end of March 2017 be noted.

**RECOMMENDED TO COUNCIL:**

- (1) That the actual 2016/17 prudential and treasury indicators be approved; and
- (2) That the Annual Treasury Management Report for 2016/17 be noted.

**REASON FOR DECISION:** 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 following is the report considered by the Cabinet at its meeting held on 13 June 2017.***

**TITLE OF REPORT: ANNUAL TREASURY MANAGEMENT REVIEW 2016/17**

REPORT OF: THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

- 1.1 During the year the Council has generated **£0.444million** of interest from its investments. This is slightly above the budgeted total of £0.440million. The Council continues to invest in smaller Building Societies (subject to checks that compare the size of the Society with that of the investment) but does not invest outside of the UK.
- 1.2 The Council has repaid £1.035million of borrowing during the year as it has matured. The Council has £0.480million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium from repaying this borrowing early means that it is not worthwhile.
- 1.3 The Council complied with its legislative and regulatory requirements. There was one minor breach of the limit that is set on the percentage that can be invested with a single counterparty.
- 1.4 The forecast is that investment income will continue to fall due to market conditions and balances being used to fund the capital programme.

**2. RECOMMENDATIONS**

- 2.1 Cabinet is asked to note the position of Treasury Management activity as at the end of March 2017.
- 2.2 Cabinet is asked to recommend this report to Council and ask Council to:
  - 1) Approve the actual 2016/17 prudential and treasury indicators
  - 2) Note the annual Treasury Report for 2016/17.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 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 In general there is a relationship between the risk of an investment and the level of interest that is received (yield). Risk can be summarised under the headings of credit, liquidity and market. The risk appetite and approach of the Council determines what strategy it adopts. Whilst the focus is on managing risk, the interest received is an important income stream for the general fund.



- 4.2 Our Treasury advisors from Capita Asset Services promote a different risk approach, particularly in relation to smaller Building Societies and non-UK investments. This option has been dismissed on the basis of Members' different view of risk and the impact on the general fund.

## 5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Capita). The Capita service includes regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies, advice on rescheduling, information and prudent parameters in respect of investment counterparty creditworthiness, document templates, access to technical updates and to the Technical Advisory Group. The Portfolio holder for Finance and Asset Management is also regularly briefed.

## 6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1st March 2017

## 7. BACKGROUND

- 7.1 Members adopted the 2016/17 Treasury Strategy at the meeting of full Council on the 11 February 2016. There were no changes from the 2015/16 Strategy.

- 7.2 Members received updates on treasury activity at quarterly intervals during 2016/17, and this report represents the final quarterly update.

## 8. RELEVANT CONSIDERATIONS

- 8.1 Appendix A provides the Treasury Management update at year end. This document contains economic background, an interest rate forecast and summary outlook provided by Capita for background context to Treasury activities. The remainder of the document contains an update on the Council's investment strategy.

- 8.2 In summary, the Council has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. However, there was one breach to "investing no more than 10% of outstanding investments with one counter party". An existing investment was renewed with The Royal Bank of Scotland on 13th March for £2.75M and although the total invested with them remained unchanged, this was slightly over the 10% limit at 10.71%.

### Risk

- 8.3 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. Firstly, **Credit Risk** – The possibility that other parties fail to pay amounts due to the Authority.

- 8.4 The Council's counterparty list comprises mostly UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB but also includes other Local Authorities and Public Corporations.

- 8.7 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.
- 8.8 Investments were split between the Cash Manager, Tradition and the In-House team. The In-House investments cover the day to day cash flow activity of the Council whilst the Cash Manager's investments take advantage of higher long term interest rates when they become available.
- 8.9 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.
- 8.10 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.
- 8.11 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy which allows no more than 40% of outstanding investments to be invested for longer than 364 days at any one time. At the end of the year the Council had £7.0M (18%) invested for longer than 364 days.

### **Interest (Yield)**

- 8.12 The Council generated £0.444M of interest during 2016/17. The average interest rate agreed on new deals during the year by Tradition was 1.17%. The average interest rate on all outstanding investments at the 31<sup>st</sup> March was 1.12%.
- 8.13 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 16/17, with the latest predictions signalling the first increase to the base rate around quarter 3 of 2018.
- 8.14 The investments outstanding at the 31 March 2017 were £38.9million. This compares to a balance of £41.93million at 31 March 2016. The reduced balance reflects the use of maturing investments to fund capital expenditure. This investment in capital projects will continue during 2017/18 (e.g. DCO refurbishment works). This combined with declining returns for new investments means that the budgeted investment interest for 2017/18 is expected to be in the region of £0.27M.

## **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.
- 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 The Prudential Indicators comply with the Local Government Act 2003.

## **10. FINANCIAL IMPLICATIONS**

10.1 These are covered in section 8, and in particular sections 8.12 to 8.14.

## **11. RISK IMPLICATIONS**

11.1 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 dependant on banks and building societies need for borrowing. The introduction of the Funding for Lending Scheme which allows financial institutions access to low cost funding from Government for an extended period has impacted on their need to borrow and the rates at which they are prepared to borrow.

## **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 arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. HUMAN RESOURCE IMPLICATIONS**

14.1 There are no direct human resource or equality implications.

## **15. APPENDICES**

15.1 Appendix A - Annual Treasury Management Review 2016/17.

## **16. CONTACT OFFICERS**

### Author

16.1 Dean Fury, Corporate Support Accountant, Tel 474509, email, [dean.fury@north-herts.gov.uk](mailto:dean.fury@north-herts.gov.uk)

### Contributors

16.2 Norma Atlay, Strategic Director of Finance, Policy & Governance, Tel 474297, email, [norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk)

16.3 Ian Couper, Head of Finance, Performance and Asset Management, Tel 474243, email [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)

16.4 Antonio Ciampa, Accountancy Manager, Tel 474566, email, [antonio.ciampa@north-herts.gov.uk](mailto:antonio.ciampa@north-herts.gov.uk)

16.5 Reuben Ayavoo, Corporate Policy officer, Tel 47212, email [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

Treasury Strategy 2016/17.  
CIPFA Prudential Code for Capital Finance in Local Authorities.

# APPENDIX A

## Annual Treasury Management Review 2016/17

---

North Hertfordshire District Council  
April 2017

## Contents

Purpose.....	3
Executive Summary.....	4
Recommendations.....	4
Introduction, Background and Abbreviations used .....	5
1. The Council’s Capital Expenditure and Financing 2016/17 .....	5
2. The Council’s Overall Borrowing Need .....	6
3. Treasury Position as at 31 March 2017.....	8
4. The Strategy for 2016/17 .....	9
5. The Economy and Interest Rates .....	9
6. Borrowing Rates in 2016/17 .....	10
7. Borrowing Outturn for 2016/17 .....	11
8. Investment Rates in 2016/17 .....	11
9. Investment Outturn for 2016/17 .....	12

# Annual Treasury Management Review 2016/17

---

## Purpose

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 2016/17. 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 2016/17 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 11/02/2016)
- a mid-year, (minimum), treasury update report (Cabinet 22/11/2016)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

In addition, Cabinet has 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.

## Executive Summary

During 2016/17, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2015/16 Actual £'000	2016/17 Original £'000	2016/17 Actual £'000
Capital expenditure	3,524	8,619	5,686
Capital Financing Requirement:	-18,741	-15,738	-16,634
External debt	1,515	480	480
Investments			
• Longer than 1 year	7,750	0	7,000
• Under 1 year	30,275	23,500	29,000
• Total	38,025	23,500	36,000
Net borrowing	-36,510	-23,020	-35,520

Capital spend decreased during the year from an original budget of £8.62M to an actual of £5.69M. This was mainly due to the revision in the timetable for completion of schemes, and a net reduction on spend on other schemes.

Other prudential and treasury indicators are to be found in the main body of this report. The Director of Finance also confirms that no borrowing was undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

The financial year 2016/17 continued the challenging investment environment of previous years, namely low investment returns.

## Recommendations

The Council is recommended to:

1. Approve the actual 2016/17 prudential and treasury indicators in this report
2. Note the annual treasury management report for 2016/17



## Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

### 1. The Council's Capital Expenditure and Financing 2016/17

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.

£m General Fund	2015/16 Actual £'000	2016/17 Working Estimate £'000	2016/17 Actual £'000
<b>Capital expenditure</b>	<b>3,524</b>	<b>9,431</b>	<b>5,686</b>
Financed in year	2,156	4,564	3,501
<b>Unfinanced capital expenditure</b>	<b>1,368</b>	<b>4,867</b>	<b>2,185</b>

## 2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for 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 2016/17 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.

**Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council has a negative CFR so is not required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. MRP is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2016/17 MRP Policy, (as required by CLG Guidance), was approved as part of the Treasury Management Strategy Report for 2016/17 on 11/02/2016. Because the Council is in the unusual position of having a negative CFR there is no requirement currently to make an annual revenue charge (MRP).

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£m): General Fund	31 March 2016 Actual	31 March 2017 Actual
Opening balance	-20.122	-18,767
Add unfinanced capital expenditure (as above)	1.368	2.185
Less MRP/VRP	0	0
Less Finance Lease repayments	0.013	<b>0.013</b>
Closing balance	-18.767	<b>-16.60</b>

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

**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 (2016/17) plus the estimates of any additional capital financing requirement for the current (2017/18) 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 in advance of its immediate capital needs if required. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2016 Actual	31 March 2017 Budget	31 March 2017 Actual
Gross borrowing position	£1.515m	£0.480m	£0.480m
CFR	-£18.767m	-£15.738m	-£16.60m

**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 2016/17 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 is 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.

	2016/17
Authorised limit	£7.0m
Maximum gross borrowing position	£1.52m
Operational boundary	£5.0m
Average gross borrowing position	£1.1m
Financing costs as a proportion of net revenue stream	-2.2%

### 3. Treasury Position as at 31 March 2017

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2016/17 the Council's treasury position was as follows:

TABLE 1	31 March 2016 Principal	Rate/ Return	31 March 2017 Principal	Rate/ Return
Fixed rate funding:				
-PWLB	£0.515m	9.21%	£0.480m	9.43%
-Market	£1.000m	10.125%	£0m	
Variable rate funding:				
-PWLB	£0m		£0m	
-Market	£0m		£0m	
<b>Total debt</b>	<b>£1.515m</b>	<b>8.55%</b>	<b>£0.480</b>	<b>9.43%</b>
<b>CFR</b>	<b>-£18.8m</b>		<b>-16.6m</b>	
<b>Over / (under) borrowing</b>	<b>£20.315m</b>		<b>£17.08m</b>	
Investments:				
- in house	£9.525m	0.62%	£7.5m	0.66%
- with managers	£28.5m	1.25%	£28.5m	1.15%
<b>Total investments</b>	<b>£38.025m</b>	<b>1.22%</b>	<b>£36.0m</b>	<b>1.12%</b>

The maturity structure of the debt portfolio was as follows:

	31 March 2016 actual	31 March 2017 actual
Under 12 months	£1.035m	£0.025m
12 months and within 24 months	£0.025m	£0.016m
24 months and within 5 years	£0.050m	£0.053m
5 years and within 10 years	£0.100m	£0.097m
10 years and above	£0.305m	£0.289m

The maturity structure of the investment portfolio was as follows:

	2015/16 Actual £000	2016/17 Original £000	31 March 2017 Actual £000
Investments			
Longer than 1 year	7,750	0	7,000
Under 1 year	30,275	23,500	29,000
Total	38,025	23,500	36,000

The exposure to fixed and variable rates was as follows:

	31 March 2016 Actual £000	2016/17 Original Limits £000	31 March 2017 Actual £000
Fixed rate (principal)	36,000Cr	70%-100% of Investments	29,500Cr
Variable rate (principal)	2,025Cr	0%-30% of Investments	6,500Cr

## 4. The Strategy for 2016/17

The strategy in 2016/17 was to continue only lending to UK banks, building societies and money market funds. 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. As well as imposing maximum limits with each counter party, the overall percentage of outstanding investments with each counterparty was assessed to ensure a reasonable spread of investments.

**Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2016/17, approved by the Council on 11/02/2016, was not changed during the year.

## 5. The Economy and Interest Rates

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England’s Inflation Report produced forecasts warning

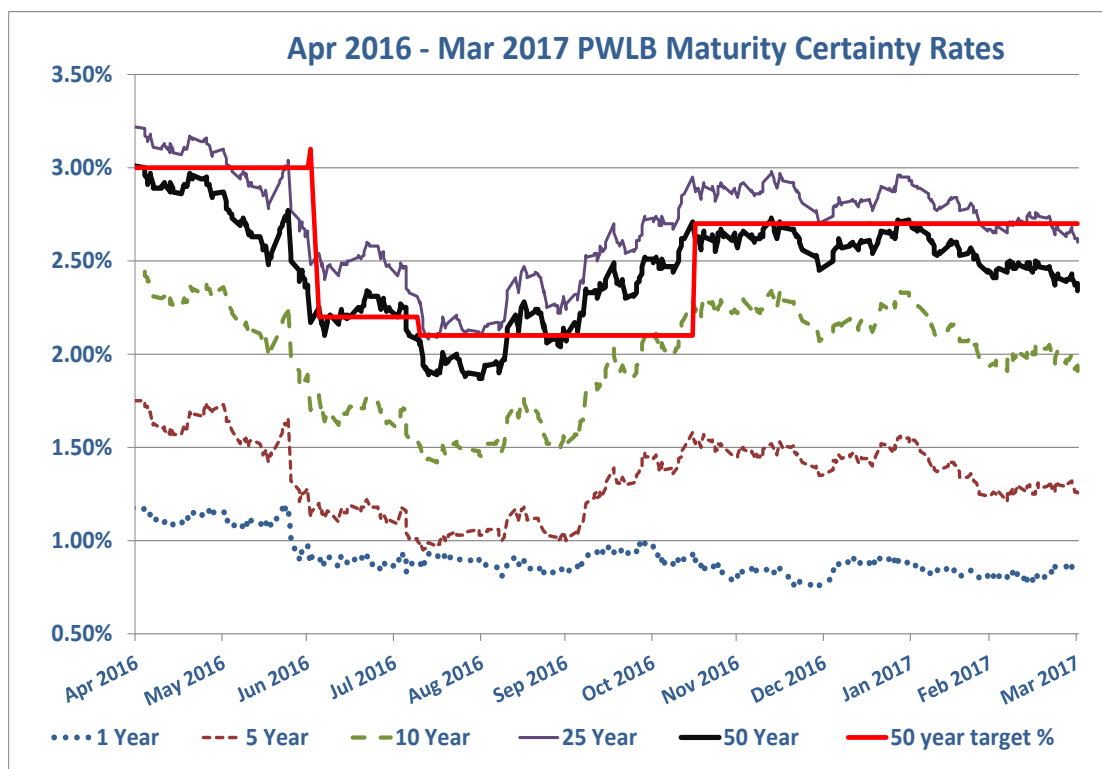
of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum. By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro. In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would look through near term supply side driven inflation, (i.e. not raise Bank Rate), caused by sterling's devaluation, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook, however, is dependent on domestically generated inflation, (i.e. wage inflation), continuing to remain subdued despite the fact that unemployment is at historically very low levels and is on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 by the end of March 2017 in response to increasing concerns around inflation.

## 6. Borrowing Rates in 2016/17

### **PWLB certainty maturity borrowing rates**

During 2016-17, PWLB rates fell from April to June and then gaining fresh downward impetus after the referendum and Bank Rate cut, before staging a partial recovery through to December and then falling slightly through to the end of March. The graph for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



## 7. Borrowing Outturn for 2016/17

### Borrowing

No new loans were taken during the year.

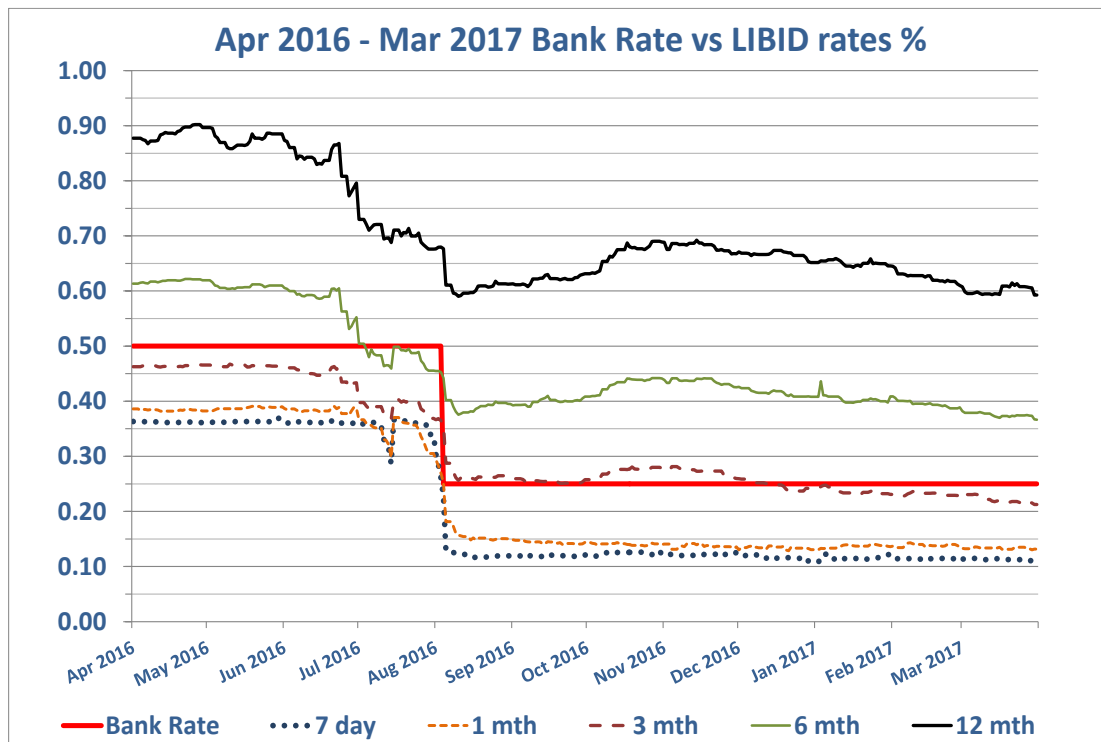
The £1M LOBO loans were repaid in November.  
£35K of PWLB loans were repaid during the year

### 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.

## 8. Investment Rates in 2016/17

After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.



## 9. Investment Outturn for 2016/17

**Investment Policy** – the Council’s investment policy is governed by CLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 11/02/16. 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 society investments.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. However, there was one breach to “investing no more than 10% of outstanding investments with one counter party”. An existing investment was renewed with The Royal Bank of Scotland on 13<sup>th</sup> March for £2.75M and although the total invested with them remained unchanged, this was slightly over the 10% limit.

**Investments placed by Cash Managers** – the Council used two external cash managers to invest its cash balances. At the start of the year, Sterling had £1m of outstanding investments, Tradition £27.5m. Sterling ended their contract in December 2014 and as their investments matured, Tradition reinvested the principal. At year end, there were no outstanding investments placed by Sterling and Tradition had £28.5m. The final Sterling investment of £1m matured in June and was reinvested by Tradition.

The performance of the managers against the benchmark return was:

Cash Manager	Investments Placed	Interest	Return	Benchmark*
Sterling	£1M - £0M	£0.003M	1.50%	N/A
Tradition	£27.5M - £28.5M	£0.331M	1.17%	0.25%
Total	£28.5M	£0.334M	1.17%	



\* Ave 7 days notice Rate 0.25%

This compares with an original budget of £0.322M.

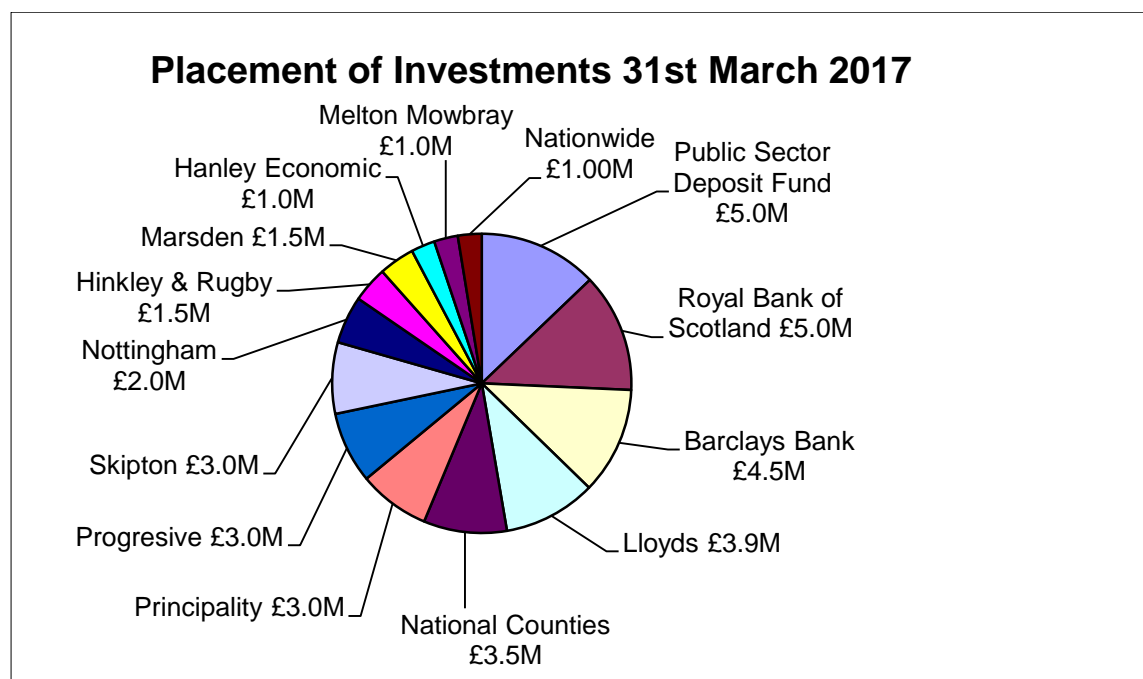
	Ave. Int. Rate Deals made in 1 <sup>st</sup> Qtr %	Ave. Int. Rate Deals made in 2nd Qtr%	Ave. Int. Rate Deals made in 3rd Qtr %	Ave. Int. Rate Deals made in 4th Qtr %	Ave. Int. Rate Deals made in Year	Ave. Int. Rate for All Investments during Year %
NHDC	0.67	0.65	0.36	0.58	0.60	0.54
Sterling	n/a	n/a	n/a	n/a	n/a	1.50
Tradition	1.27	0.79	0.79	0.69	1.04	1.17

The NHDC figures above do not include interest rates achieved on the Lloyds current account. This started the year at 0.4% but reduced to 0.15% in August.

The table below summaries where investments were held at 31 March and includes the Lloyds Bank interest bearing current account:

	Investments 31 March 2015	Investments 31 March 2016
Banks	£14.90m	£13.40m
Building Societies	£21.50m	£20.50m
Local Authorities	£5.00m	-
Money Market Funds	£0.525m	£5.00m
Total	£41.925m	£38.90m

The pie chart below shows the spread of investment balances as at 31 March 2017. This is a snapshot in time that demonstrates the diversification of investments.



The average daily balance of investments was £51.1m with balances varying between £38.5m and £59.6m.

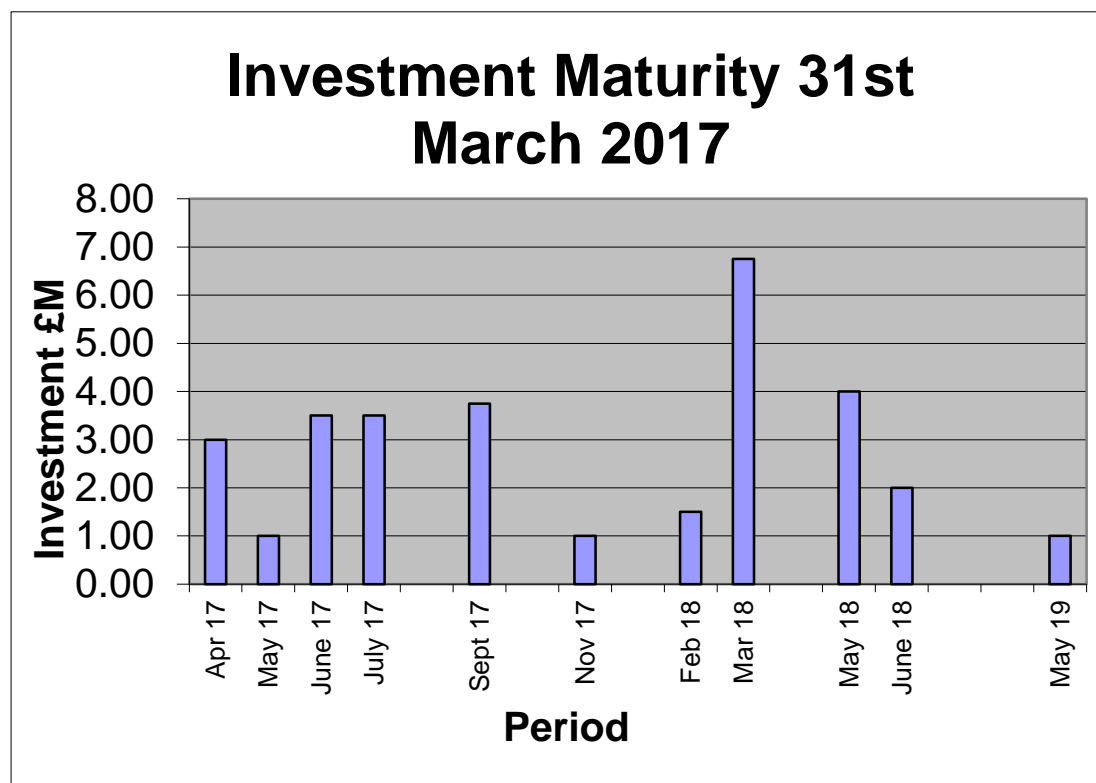
£0.444m of interest was generated from investments during the year. This is slightly more than the estimated interest of £0.440m.

	Average Balance £M	Interest Accrued to 31 March £	Interest Received by 31 March £	Total Interest for the Year £	Average Rate of Return %
NHDC	22.6	2,710	108,067	110,777	0.48
Sterling	0.2	0	3,000	3,000	1.50
Tradition	28.3	200,380	130,134	330,514	1.17
Total	51.1	203,090	242,120	444,291	0.86

**Investments held by the Council** - the Council maintained an average balance of £22.6m of internally managed funds. The internally managed funds earned £111k of interest with an average rate of return of 0.48%. These figures include interest earned on the Lloyds current account.

**Investments held by Sterling** - Sterling had one investment for £1M mature in June. This was re-invested by Tradition.

**Investments held by Tradition** – Tradition maintained an average balance of £28.3M managed funds. This generated £0.331M interest and earned an average rate of return of 1.17%. The graph below shows the maturity profile of investments at 31st March 2017.



**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 13 JUNE 2017 – CORPORATE OBJECTIVES FOR 2018-2023**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 13 June 2017.*

**11. CORPORATE OBJECTIVES FOR 2018-2023**

The Executive Member for Policy, Transport and Green Issues presented a report of the Strategic Director of Finance, Policy and Governance in respect of Corporate Objectives for 2018-2023.

The Executive Member for Policy, Transport and Green Issues advised that it was proposed that the Corporate Objectives for 2018-2023 were unchanged from previous years. The option to change the Objectives from those used for the 2016/17 and 2017/18 Corporate Business Planning process was considered, but discounted, since the aspects which informed their original adoption in 2015 remained valid for the foreseeable future.

The Executive Member for Policy, Transport and Green Issues commented that, in determining its Objectives, the Council needed to reflect any recent changes in:

- Legislation, which may require changes to existing services, or delivery of new services;
- Capacity, since the authority had reduced headcount over recent years;
- Financial constraints – work on future funding of Local Authority Services through 100% retention of Business Rates had been halted as a result of the General Election and it was unclear when and if it would restart. This would add greater uncertainty into financial forecasting; and
- Population – the need to plan for an ageing population which required health, social care and Council service providers to consider how necessary support could be provided together.

The Executive Member for Policy, Transport and Green Issues stated that a further issue that he would wish to add to the above list would be the impact of the new Government's delayed Queen's Speech.

**RECOMMENDED TO COUNCIL:** That the following Corporate Objectives be continued for 2018 to 2023:

1. To work with our partners to provide an attractive and safe environment for our residents, where diversity is welcomed and the disadvantaged are supported;
2. To promote sustainable growth within our district to ensure economic and social opportunities exist for our communities, whilst remaining mindful of our cultural and physical heritage; and
3. To ensure that the Council delivers cost effective and necessary services to our residents that are responsive to developing need and financial constraints.

**REASON FOR DECISION:** To allow Cabinet and Council to review the Corporate Objectives which will guide the Corporate Business Planning process for 2018/19 through to 2023.

***The following is the report considered by the Cabinet at its meeting held on 13 June 2017.***

**TITLE OF REPORT: CORPORATE OBJECTIVES FOR 2018-2023**

REPORT OF: STRATEGIC DIRECTOR FOR FINANCE, POLICY & GOVERNANCE  
EXECUTIVE MEMBER: COUNCILLOR RAY SHAKESPEARE-SMITH  
COUNCIL PRIORITY: ATTRACTIVE AND THRIVING / PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

This report recommends Corporate Objectives for 2018/23 to guide and inform the 2018/19 Corporate Business Planning Process.

**2. RECOMMENDATIONS**

2.1 That Cabinet recommends to Full Council the continuation of the Corporate Objectives below for 2018 to 2023;

- 1. To work with our partners to provide an attractive and safe environment for our residents, where diversity is welcomed and the disadvantaged are supported;**
- 2. To promote sustainable growth within our district to ensure economic and social opportunities exist for our communities, whilst remaining mindful of our cultural and physical heritage;**
- 3. To ensure that the Council delivers cost effective and necessary services to our residents that are responsive to developing need and financial constraints.**

**3. REASONS FOR RECOMMENDATIONS**

3.1 To allow Cabinet and Council to consider the Corporate Objectives which will guide the corporate business planning process for 2018/19 through to 2023.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 The option to change the Objectives from those used for the 2016/17 and 2017/18 Corporate Business Planning process was considered but discounted since the aspects which informed their original adoption in 2015 remain valid for the foreseeable future.

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

5.1 No external consultation has been undertaken in the preparation of this report. Members will, however, be aware that consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the Objectives will be carried out in accordance with the Corporate Business Planning Timetable. Wherever it is available, use will be made of valid opinion research data and, where applicable, outcomes of the Districtwide Survey.

5.2 As in previous years, Member workshops will be held in regard to corporate business planning proposals, in addition to seeking the views of the Finance

Audit and Risk Committee, the North Hertfordshire Partnership (LSP), parish, town and community councils, panel of residents, statutory partners and business ratepayers views as appropriate

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1st March 2017.

## **7. BACKGROUND**

- 7.1 Before considering the detailed budget position for the authority, the Corporate Business Planning Process requires that the Council's objectives are determined. Budgets must then be allocated to ensure their achievement; this is known as 'policy led' budgeting and enables the authority to best reflect not only services it must deliver by statute, but those over which it has a degree of discretion.
- 7.2 The Council's budget and its objectives are inextricably linked. There is no point in having a service or key project that cannot be funded and no point in spending limited resources (including staff resources) if they are not achieving the objectives that have been set. This aligns the agreed Policy of the Council with the finances which will deliver it. The Medium Term Financial Strategy (MTFS) five year plan which informs the Council's budgetary position is reviewed annually as part of the Corporate Business Planning process, to ensure policy and budget, especially at times of increasing financial constraint, are properly aligned.
- 7.3 North Hertfordshire District Council published its first 'Corporate Plan' in 2005; this high level strategic document set out the Council's ambitions and aspirations for the district. The activities to deliver the priorities within the plan are revised annually to reflect the changing environment within which the Council, as other local authorities, has to operate.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Corporate Plan describes in narrative how each of the high level objectives are delivered and any individual activities that will be completed through the next and subsequent years to ensure those objectives are met.
- 8.2 The ongoing financial constraints make it increasingly likely that the emphasis for Council spend will be on the day to day service delivery, firstly of those services that the Council has a statutory duty to provide and secondly of those which the Council has determined are a priority to be funded.
- 8.3 In determining its objectives, the Council needs to reflect any recent changes in:
- Legislation, which may require changes to existing services, or delivery of new services
  - Capacity, since the authority has reduced headcount over recent years
  - Financial constraints – work on future funding of local Authority Services through 100% retention of Business rates has been halted as a result of the General Election and it is unclear when and if it will restart. This will add greater uncertainty into financial forecasting.
  - Population – the need to plan for an ageing population which requires health, social care and Council service providers to consider how necessary support can be provided together.

- 8.4 Having considered the relevant factors, the three objectives proposed to inform the Council's Corporate Budget Setting 2017/21 therefore remain;
- 1. To work with our partners to provide an attractive and safe environment for our residents, where diversity is welcomed and the disadvantaged are supported**
  - 2. To promote sustainable growth within our district to ensure economic and social opportunities exist for our communities, whilst remaining mindful of our cultural and physical heritage**
  - 3. To ensure that the Council delivers cost effective and necessary services to our residents that are responsive to developing need and financial constraints.**

## **9. LEGAL IMPLICATIONS**

- 9.1 Cabinet's terms of reference include at 5.6.35 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference".
- 9.2 Full Council's terms of reference provide "approving or adopting the policy framework which at 4.2.1 (f) include "Priorities/ Objectives for the District."
- 9.3 The corporate objectives agreed for 2018/23 onward will provide high level reference points that will assist the Council making clear and effective decisions.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no specific revenue implications from adoption of the objectives although there will be both revenue and capital implications from the provision of services to support the objectives and these will be agreed as part of the corporate business planning process which will culminate in February 2018 with the setting of the budget for 2018/19.
- 10.2 It is clear that the Council will continue to face difficult spending decisions in view of the current economic climate and the continuing reduction in government support in future years and that the availability of funding will impact on the services that can be delivered. Individual projects will be costed to ensure that the overall programme of activity across the Council can be achieved within the agreed budget assigned.
- 10.3 The Council received significant capital funding from the housing stock transfer to North Herts Homes (set-aside receipts). It has supplemented this with the receipts from the sale of surplus land and buildings (capital receipts). The strategy adopted by the Council has been to concentrate capital funding on those schemes that reduce revenue costs or generate income. Over the next five years it is forecast that the set-aside receipts will all be used, and therefore capital funding will have to come from capital receipts or borrowing. The availability of assets that can be sold to generate capital receipts is also reducing. It is therefore important that any agreed capital projects reflect corporate priorities, to ensure effective use of diminishing capital resources.

## **11. RISK IMPLICATIONS**

- 11.1 Agreeing the Council's objectives for 2018/23 commences the Council's Business Planning processes for the next financial year. A robust Corporate

Business Planning process is key to managing the Council's top risk of "Managing the Council's Finances".

## **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 In setting its Corporate Objectives, the council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for those Efficiency or Investment options that are taken forward.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no additional human resource requirements arising from this report. The resources needed to deliver services are considered and addressed through the Corporate Business Planning process and staff are reminded of the objectives once agreed.

## **15. APPENDICES**

None.

## **16. CONTACT OFFICERS**

- 16.1 Norma Atlay, Strategic Director, Finance Policy & Governance  
[norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk); ext 4297

Rachel Cooper, Payment and Reconciliations Manager  
[rachel.cooper@north-herts.gov.uk](mailto:rachel.cooper@north-herts.gov.uk); ext 4606

Anthony Roche, Corporate Legal Manager  
[anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk) ; ext 4588

Ian Couper, Head of Finance, Performance & Asset Management  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk) ; ext 4243

Reuben Ayavoo, Policy Officer  
[reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk) ; ext 4212

Kerry Shorrocks, Corporate Human Resources Manager  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk) ; ext 4224

## **17. BACKGROUND PAPERS**

- 17.1 Corporate Plan 2017/21 and background reports.

This page is intentionally left blank



<b>COUNCIL</b> 19 JULY 2017
--------------------------------

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>11</b>
----------------------------------	---

**TITLE OF REPORT: CONFERRING POWERS TO THE PARISH MEETING OF CLOTHALL**  
REPORT OF THE CHIEF EXECUTIVE

EXECUTIVE MEMBER FOR COMMUNITY ENGAGEMENT & RURAL AFFAIRS  
COUNCILLOR TONY HUNTER

**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to seek approval to convey powers to the Parish Meeting of Clothall (the Parish) including the village of Luffenhall, to enable it to provide grants, following a request received from the Parish.

**2. RECOMMENDATIONS**

- 2.1 That the power to make discretionary grants be conveyed to the Parish Meeting of Clothall.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure that community initiatives within the Parish are maintained and enhanced to help secure community cohesion and development.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The alternative would be to not convey this power to the Parish meeting, thereby preventing them making discretionary grants. There seems to be no benefit to this option and therefore it was discounted.

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

- 5.1 Consultation has been undertaken with the Councillor for Weston and Sandon. The Parish has taken the necessary steps to debate and vote on the matter (Appendix A).

**6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 A parish usually decides grant aid via its council supported by the general discretionary power of parish councils to aid community activity.
- 7.2 The parish in question is too small to have a parish council and therefore does not automatically have the power to make discretionary grants. The number of registered electors (130) is below the recommended number (1,000) considered as the minimum to warrant the existence of a parish council. Necessary business is transacted at parish meetings. At such meetings all electors are invited to debate and vote on the matters in hand. A parish meeting may acquire the powers of a parish council by application to the primary local authority (ie the district council) in which it is situated.
- 7.3 In the future should the size and aspirations of the electorate increase, the Parish may wish to apply to this Council for a Community Governance Review with a view to creating a parish council.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Parish has made annual grants to two organisations for approximately 20 years. The one to St Mary's Parish Church is already covered by a basic discretionary power held by all parishes to contribute towards the cost of burial facilities. The other, to Clothall Village Hall Trust, is not covered.
- 8.2 Agreement to this proposal would be in line with this Council's corporate plan to promote sustainable growth within the District and to ensure that economic and social opportunities exist for our communities.
- 8.3 Agreement would also reflect the spirit of the Localism Act 2011, to devolve decision making powers to communities.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Local Government Act 1972 s109 enables the district council to confer functions of a parish council on a parish meeting:

“On the application of the parish meeting of a parish not having a separate parish council, the district council may, subject to the provisions of the grouping order if the parish is grouped with any other parish, by order confer on the parish meeting any functions of a parish council.”

- 9.2 Section 1 of the Localism Act 2011 provides a general power of competence which gives local authorities the powers to do anything:
- an individual may generally do;
  - anywhere in the UK or elsewhere;
  - for a commercial purpose or otherwise, for a charge or without a charge;
  - without the need to demonstrate that it will benefit the authority, its area or person's resident or present in its area.
- 9.3 Section 137 Local Government Act 1972 provides specific authority for a Council to incur expenditure on anything which is in the interests of and will bring direct benefit to its area. This includes a charity or other body operating for public service.

9.4 Section 109(2) of the Local Government Act 1972 requires two copies of every order made under section 109 to be sent by the district council to the Secretary of State.

## **10. FINANCIAL IMPLICATIONS**

10.2 The grants will be funded from the Parish precept and therefore there are no financial implications for North Herts District Council. If the Parish awarded any future grants then they would need to ensure that had sufficient resources to be fund those grants.

## **11. RISK IMPLICATIONS**

11.1 This proposal is reducing the risk by ensuring that the powers of the Parish Meeting are made consistent with established convention.

11.2 The Parish Meeting have determined that they will “take into account the financial status of the organisation/group and who in the community will benefit from the grant”. This will help to ensure that the grant achieves its desired purpose.

## **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 The Parish must ensure that it does not negatively impact on any part of the parish community. The only deviation to this is where a minority or marginalised group may specifically receive funding to address a particular area of need in provision.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. HUMAN RESOURCE IMPLICATIONS**

14.1 There are no human resource implications.

## **15. APPENDICES**

15.1 Appendix A – The decision and report of the Parish.

## **16. CONTACT OFFICERS**

16.1 Author:  
David Miley, Democratic Services Manager  
Telephone: 01462 474208  
Email: [david.miley@north-herts.gov.uk](mailto:david.miley@north-herts.gov.uk)

16.2 Contributors:  
Reuben Ayavoo, Policy Officer  
01462 474212  
Email: [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)

Stuart Izzard, Communities Manager  
Telephone: 01462 474854  
Email: [stuart.izzard@north-herts.gov.uk](mailto:stuart.izzard@north-herts.gov.uk)

Anthony Roche, Corporate Legal Manager and Monitoring Officer  
Telephone: 01462 474588  
Email: [anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

None.

**Clothall with Luffenhall Parish Meeting**  
**Wednesday 30th November 2016 at 8.00pm**  
**At Weston Village Hall**  
**Minutes**

**EXTRACT**

Present: Nicky Allen, Richard Allen, Andrew Carley, Pauline Coletta, Helen Doherty, Stephen Dolley, Anne Dolley, Richard Edgar, Brian Griffiths, Meredith Griffiths, Helen Holtom, Simon Holtom, Graham Lawes, Hannah Lawes, Mair McIntree, Jeremy Sage, Katherine Sage, Stuart Shaw, Hannah Taylor (arrived 9.00 pm approx - late apologies received) Trevor Williams, John Woodbridge.

In attendance: Adrienne Waterfield, Councillor Jarvis, Gillian Hopkins (clerk).

**1. Welcome and Apologies**

Chairperson welcomed all to the meeting. Apologies received from Annie Wentworth- Stanley, Adrian Wentworth-Stanley, Peter Taylor and Sue Denyer.

**6. Review and vote on request on additional powers**

- On research the Parish Meeting does not have power to provide grants even though the Village Hall has historically received one from the Parish Meeting. Report shared with the meeting on proposal and recommendation from the Chair to formally request that the power to provide Grants against specific criteria be requested from NHDC.

Further Questions, NHDC contacts has offered advice that that the chairperson should have specific powers – this was questioned. Parishioner suggestion to have the power to spend a discretionary amount - say £50 to £100 to give flexibility between meetings. Following further discussion, Chairperson to send report and outcome of the vote, requesting that Clothall with Luffenhall Parish Meeting be given the additional specific Power to give Grants from the Precept to David Miley at NHDC

Registered Vote taken by Gill Hopkins Clerk. Outcome: 19 voted “yes” in favour of requesting additional Power to give Grants and 1 abstained.

**REPORT**

**6. Review and vote on request on additional powers**

**Proposed Course of Action**

It is possible to apply to have additional functions (powers) to the district council. The district council can confer on the Parish Meeting any or all the functions of a parish council. It is proposed that Clothall Parish Meeting applies for the specific function to make grants to voluntary bodies.

**Why is this a Good Idea**

The Parish meeting would be able to make grants on a discretionary basis **to voluntary organisations and community groups that provide services that benefit the economic, environmental and/or social well-being of residents of the Parish of Clothall with Luffenhall.** This would include, but would not be limited to:

- Capital grants for equipment
- Funding for particular events
- Funding for particular projects

In deciding on the allocation of grants, the Parish Meeting would take into account the financial status of the organisation/group and who in the community will benefit from the grant.

As a small community having this facility available for this and future generations is very important. It would mean equipment, events and projects which are relevant and important to the local community could be supported.

### **Governance**

If this power is conferred it would be possible to make grants. To ensure that public money is spent wisely and is then utilised appropriately an annual Grant application process would be put in place along with controls and checks to ensure that the funds have been utilised as requested. Where appropriate this would include the publication to the Parish Chair of audited accounts of any organisation receiving a grant.

### **Impact on Current Precept Balance and impact on Precept in future years**

The current balance is £2,241.76 on October 16<sup>th</sup> 2016. The only grant that will be made in December (if the Precept and budget are approved at the meeting on November 30<sup>th</sup>) will be to St Mary's Church. Which means that the projection for the year end (April 2017) balance will be £2,191.76

The impact of the proposal to acquire the function to make grants is expected to have no detrimental impact. With a grant having been made historically, this would simply mean that appropriate authority is formally in place and the impact is expected to be neutral. It is not expected that the precept will have to rise because of the application to have the function to provide grants.

<b>COUNCIL</b> <b>19 JULY 2017</b>
---------------------------------------

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>12</b>
----------------------------------	---

**TITLE OF REPORT: SENIOR MANAGEMENT ARRANGEMENTS**

REPORT OF THE HEAD OF PAID SERVICE  
EXECUTIVE MEMBER – COUNCILLOR LYNDA NEEDHAM

**1. EXECUTIVE SUMMARY**

1.1 To advise Council of the proposed senior management arrangements for the organisation from 2017 onwards. To provide a summary of the key areas of change at a senior level within the organisation, and to outline measures to review services throughout the organisation which will be undertaken in 2017 in accordance with the provisions of the Constitution.

1.2 The proposed structure is guided by a number of factors including:

- The priorities of the Council
- The financial environment in the period 2017-2021
- The medium term financial strategy
- The delivery of statutory services
- Performance management
- The programme of projects.

**2. RECOMMENDATIONS**

2.1 That Council note the proposed senior management arrangements as set out in the report and the proposed timetable for the implementation of these arrangements.

2.2 To meet its statutory responsibilities the Council appoint Ian Couper, Head of Finance, Performance and Asset Management as the Council's Chief Finance Officer (Section 151 Officer), effective from 4<sup>th</sup> September 2017.

2.3 That Council supports the approach taken over many years of seeking to avoid compulsory redundancies wherever possible as advocated in the agreed Reorganisation Policy. In the event that redundancies (either voluntary or compulsory) are required then the costs of such redundancies will be met from a reduction in the General Fund balance which will be reported through the quarterly budget monitoring process.

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

- 3.1 The Constitution makes provision for staffing matters to be determined by the Head of Paid Service (section 14.6.5(a)(i)) and matters which relate to the senior management arrangements should be reported to Council (section 4.4.1(o)).
- 3.2 The adjustments to the senior management arrangements of the authority will enable the Council to meet the significant financial and service delivery challenges which it faces over the next 3-5 years.

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

- 4.1 A number of different options for senior management arrangements have been considered over the past 12-18 months. Informal consultation with Executive Members has been undertaken (see section 5 below) and a number of options in relation to shared service delivery have been pursued informally.
- 4.2 It is considered that, within the financial environment which the Council finds itself in and having regard to limited options for other senior management arrangements with other Councils the proposed arrangements as set out in this report ensure that the priorities of the Council can be dealt with in a cost effective manner and that the detailed arrangements will reflect the current/emerging areas of pressure.

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

- 5.1 Informal consultation has taken place with the Leader of the Council and other Executive Members and with the Leaders of the opposition groups.
- 5.2 The concept of a senior management restructure was raised some months ago with Heads of Service and as Members of the Council will recall there was a period for Heads of Service/Corporate Managers/Strategic Directors to provide expressions of interest in voluntary redundancy proposals. This process has also been used to seek views informally about the future shape and structure of the organisation at a senior level and such informal consultation has been taken into consideration in relation to the overall configuration of the proposed structure. Further informal consultation will be carried out regarding the grouping of services and an update will be provided along with the presentation of this report at Full Council.
- 5.3 No consultation is required in relation to the designation of the post of Deputy Chief Executive as there are no existing post holders directly affected. Formal consultation will be undertaken with those staff directly affected by the proposals (i.e. Heads of Service/Corporate Managers) in accordance with the Council's reorganisation policy.

### **6. FORWARD PLAN**

- 6.1 This report does not contain any key decision of the Council and is thus not included within the Council's Forward Plan.



## **7. BACKGROUND**

- 7.1 The Council's current senior management arrangements are set out in an organisational chart at Appendix 1 to this report. These arrangements have been in place since 2012 and were an adjustment to the arrangements that were previously agreed by Council in 2010. The existing structure of the Council has served us well in terms of service delivery within a period of austerity and a significant programme of capital investment. However, it is evident that there needs to be adjustments to the senior management arrangements to reflect future predicted pressures whilst respecting the constraints that the continued period of austerity is bringing.
- 7.2 The future structure also needs to accommodate those areas where it is clear that there will be change in terms of service delivery arrangements, e.g. in relation to the new shared waste service with East Hertfordshire. It also needs to reflect the overall financial envelope that the Council has to operate within and provides proportionate resourcing to the relevant service areas.
- 7.3 It should be noted that the report deals solely with the overall senior management arrangements at the Council and once the new Deputy Chief Executive is in post the specific alignment of Services to the new Service Directors posts will be undertaken with services reorganised where appropriate to reflect more detailed requirements for each area.

## **8. ISSUES**

- 8.1 The Council has set its priorities for the period up to 2020 in its Corporate Plan. This is the overarching document which together with the medium term financial strategy sets the basis for business planning for the next 4-5 years. It is clear that the financial pressures upon the Council, as with other similar size authorities, will endure for the next 5 years at least. Following the provisional settlement announcement and revisions to New Homes Bonus the Council needs to find efficiencies/use of reserves totalling £8.1m in the period to 2020/21.
- 8.2 It is within this context that the proposed structure has been developed with an eye to providing effective service delivery on the one hand whilst acknowledging that the level of senior management resource must be further reduced because of financial pressures. Consequently the shape of the organisation needs to flex to both reduce cost and increase income opportunities. In terms of overall service delivery the Council has excellent arrangements in place for running its day to day services. Performance against agreed indicators is very good and there are excellent levels of customer satisfaction. It is necessary to ensure that we maintain a focus on daily service delivery with particular regard to those services the Council is required to deliver.
- 8.3 Appendix 1 sets out the current management arrangements for the Council and it is evident that whilst these have worked well in the past, given the financial constraints there needs to be consideration to creating a flatter structure and removing one "layer" of management. It is important to maintain direct levels of customer service delivery and for this reason it is proposed that the roles of Strategic Director as a separate management layer no longer exist and that the two vacant posts of Strategic Director (Strategic Director Customer Services and Strategic Director Planning, Housing and Enterprise) are deleted.
- 8.4 Following Mrs Atlay's decision to retire from the Authority the Strategic Director of Finance, Policy and Governance post will shortly become vacant. In order to provide resilience at the most senior level it is proposed that a new post of Deputy Chief

Executive is created and the Strategic Director of Finance, Policy and Governance post is subsequently deleted. In the existing structure and constitution that post undertakes the role of Deputy to the Chief Executive and that has worked very well. The proposed arrangements will ensure that there is an effective senior management tier and a clear focus for the strategic management of the Council. The internal management arrangements are set out in a later section of this report.

- 8.5 The current structure as set out in Appendix 1 has a mixture of services reporting to the Strategic Director, Heads of Service, Corporate Managers and to the Chief Executive. This has reflected a number of specific circumstances in the past that has led to a relatively complex set of management arrangements which can be improved in terms of operational efficiency. It is proposed in the structure going forward that, because of the reductions at a senior strategic level in staffing, all service areas will fall within the responsibility of the newly created role of Service Director. The Service Director role will be an enhancement of the existing Head of Service/Corporate Manager role. The Service Director posts will, following the relevant changes to the Constitution to reflect the reconfiguration of service areas, have directly delegated responsibility from Council rather than the existing arrangement which has a series of sub-delegations.
- 8.6 The proposed structure is set out in Appendix 2 to this report and includes all of the main service areas under each of the newly created Service Director roles and additionally there will be a limited number of direct Reports to the Chief Executive and Deputy Chief Executive. The composition of the Service Directorates will be finalised following the appointment of the Deputy Chief Executive. The Council's reorganisation policy will be applied in to which roles may be a "significant match" to existing roles and which do not fit within the significant match criteria. Where necessary a recruitment process will be undertaken.
- 8.7 In terms of the overall role and responsibility of the newly created Service Director positions these posts will have:
- Overall responsibility for policy development and operation in the service area.
  - Development and implementation of the service delivery plans in accordance with the Corporate Plan.
  - Directly delegated responsibility as set out in the Council's Constitution for all areas of service delivery.
  - Long term service planning objectives and realisation of the efficiency targets in accordance with the medium term financial strategy.
- 8.8 It is proposed to implement the senior management arrangements (with any adjustments following the consultation period) at the earliest opportunity. It is anticipated that this first phase of implementation would be complete by early 2018 at the latest so that the new Service Directors can conclude their service plans for the financial year 2018/19.
- 8.9 Furthermore it is proposed that there is a review within each of the service areas which would need to be undertaken within six months following the appointment of the Service Directors and therefore this work should be complete in mid 2018.
- 8.10 The revised structural arrangements will enable further streamlining of internal management arrangements which have been revised over the last 3-4 years. Internal management arrangements are the responsibility of the Head of Paid Service and it is important for Council to note that the internal arrangements in place until 2013 were:-

- Directorate Management Teams
- Senior Management Team
- Corporate Management Team
- Challenge Board.

In 2013 it was slimmed down to:

- Senior Management Team
- Corporate Board.

It is proposed that, going forward, there is a single Corporate Board that meets to deal with all internal management arrangements and the Corporate Board comprises the Chief Executive, Deputy Chief Executive and each of the Service Directors.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Council's Constitution sets out at paragraph 14.6.5 the delegation of authority to the Chief Executive which includes at section 14.6.5(a)(i) To carry out the duties of Head of Paid Service (section 4 of the Local Government and Housing Act 1989) which includes all necessary powers for (a) co-ordinating the discharge of all functions; (b) exercising all overall management responsibility for staff. This report is presented to the Council in accordance with paragraph 4.4.1(o) of the Constitution which gives Council responsibility for "receiving reports from the Head of Paid Service on senior management structures of the organisation."
- 9.2 It should be noted that the revisions to the senior management structure do not include any alterations to the appointment of individuals to the post of Head of Paid Service, or Monitoring Officer. With the retirement of Mrs Atlay in early September 2017 it is necessary to appoint an interim Chief Finance Officer to be effective from the 4<sup>th</sup> September. It is proposed that Ian Couper Head of Finance, Performance and Asset Management be appointed to that role given his role, qualifications and experience. The Council is legally required to have a nominated Chief Finance Officer, whose responsibilities are set out in section 12.4 of the Council's Constitution. It is a requirement that the Chief Finance Officer is appointed by Council and best practice guidance from CIPFA states the CFO should sit on the Corporate Management Team.
- 9.3 The report recognises the financial constraints that the Authority finds itself within and identifies the fact that the Council is required to undertake a significant number of statutory services and the resourcing of the organisation needs to facilitate this. Revisions to the senior management arrangements need to be undertaken in accordance with the Council's Constitution, employment law and the Council's agreed Reorganisation Policy.
- 9.4 As referred to in previous annual reviews of the Council Constitution, sections 12 and 14 of the Constitution will be reviewed and amended to reflect any new structures adopted.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Corporate Business Planning process for 2017/18 and the medium term financial strategy identify the key challenges that the Council faces in terms of delivering services over the next five years or so. The updated MTFs due to be considered by Cabinet on 25<sup>th</sup> July provides the financial background to the Corporate Business

Planning Process for 2018/19 and beyond. In common with recent years the report concludes that it may be necessary to revisit the MTFs on an annual basis.

- 10.2 Financial modelling undertaken for the MTFs and Corporate Business Planning Process for 2018/19 and beyond projects that the overall budget gap for the 4 year period 2017/18-2020/21 is £4m. This is on the assumption that Council Tax will be increased by 2% or £5 whichever yields the greater amount each year and a managed use of reserves. It would be necessary to use approximately £3.7m of reserves to bridge the budget gap over the period of the MTFs which would mean the total sum needed to enable the Council to reach a balanced budget in each of these years would be in excess of £8.1m.
- 10.3 Council set its budget in February 2017 and within the efficiency options are proposals to make savings from both the senior management structure and the remainder of the organisation – these are identified as efficiencies E14 and E15.
- 10.4 The structure set out in this report delivers the Senior Management Efficiency of £150,000 as set out in the budget as referenced in E14.
- 10.5 The Service Director posts will be subject to an external job evaluation exercise by Hay to determine the salary level for each post.

## **11. RISK IMPLICATIONS**

- 11.1 The development of new senior management arrangements has been undertaken with regard to the Council's recently adopted risk and opportunities management strategy for the period 2016-2019. The risk and opportunities management policy statement has been endorsed by Cabinet and has been signed off by myself as Chief Executive and the Leader of the Council. The risk management update which was considered at Cabinet on 20<sup>th</sup> December 2016 identifies managing the Council's finances as a high risk and workforce planning as a medium risk. The proposals contained within this report for future senior management arrangements of the Authority have regard to both of these factors in seeking to ensure that the Council manages its risks in an efficient and effective manner.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions have due regard to the need to eliminate discrimination, harassment, victimisation, to advance the equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The Council's Reorganisation Policies are developed and consulted upon in a way which complies with the Equalities Act 2010.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of social value as required by the Public Services (Social Value Act) 2012 need not be applied although equalities implications and opportunities are identified in the relevant section above. Social value measurement will be applied though to any projects proposed through the Corporate Business Planning process where a public service contract is required.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 The Human Resource implications are detailed in section 8 of the report. The post of Deputy Chief Executive and Service Directors (once finalised) will be externally evaluated by Hay. Recruitment to the post of Deputy Chief Executive will commence in late July with the involvement of East of England Local Government Association. The post of Deputy Chief Executive will be advertised both externally and internally and will follow the Council's Reorganisation policy.
- 14.2 Interim management arrangements have been in place since October 2016 and these will remain in place and are operating effectively until permanent arrangements are concluded.

## **15. APPENDICES**

Appendix 1 – Current management arrangements.  
Appendix 2 – Proposed senior management structure.

## **16. CONTACT OFFICERS**

David Scholes  
Chief Executive  
[david.scholes@north-herts.gov.uk](mailto:david.scholes@north-herts.gov.uk)  
Tel No 01462 474300

Kerry Shorrocks  
Corporate Manager Human Resources  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)  
Tel No 01462 474224

Norma Atlay  
Strategic Director Finance, Policy & Governance  
[norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk)  
Tel No 01462 474279

Anthony Roche  
Corporate Legal Manager and Monitoring Officer  
[anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk)  
Tel No 01462 474588

## **17. BACKGROUND PAPERS**

- Corporate Plan 2017-2022.
- Medium Term Financial Strategy – July 2016.
- Corporate Business Planning – report to Cabinet January 2017.

This page is intentionally left blank

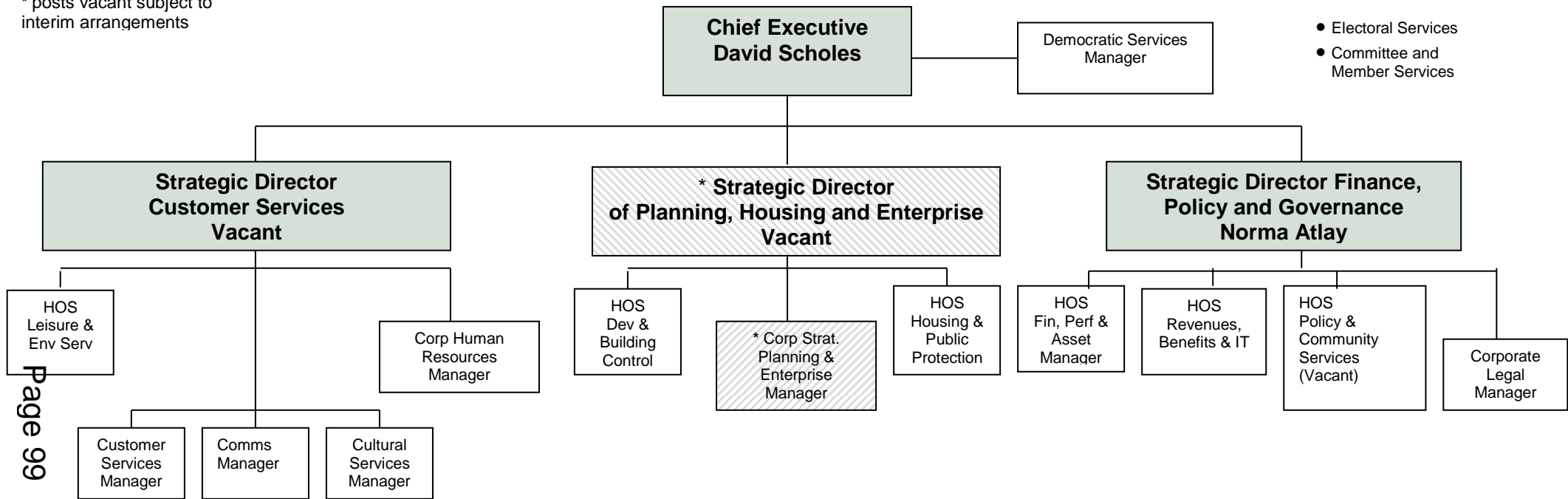
# North Hertfordshire District Council

## SENIOR MANAGEMENT ARRANGEMENTS/FUNCTIONS

### 2012

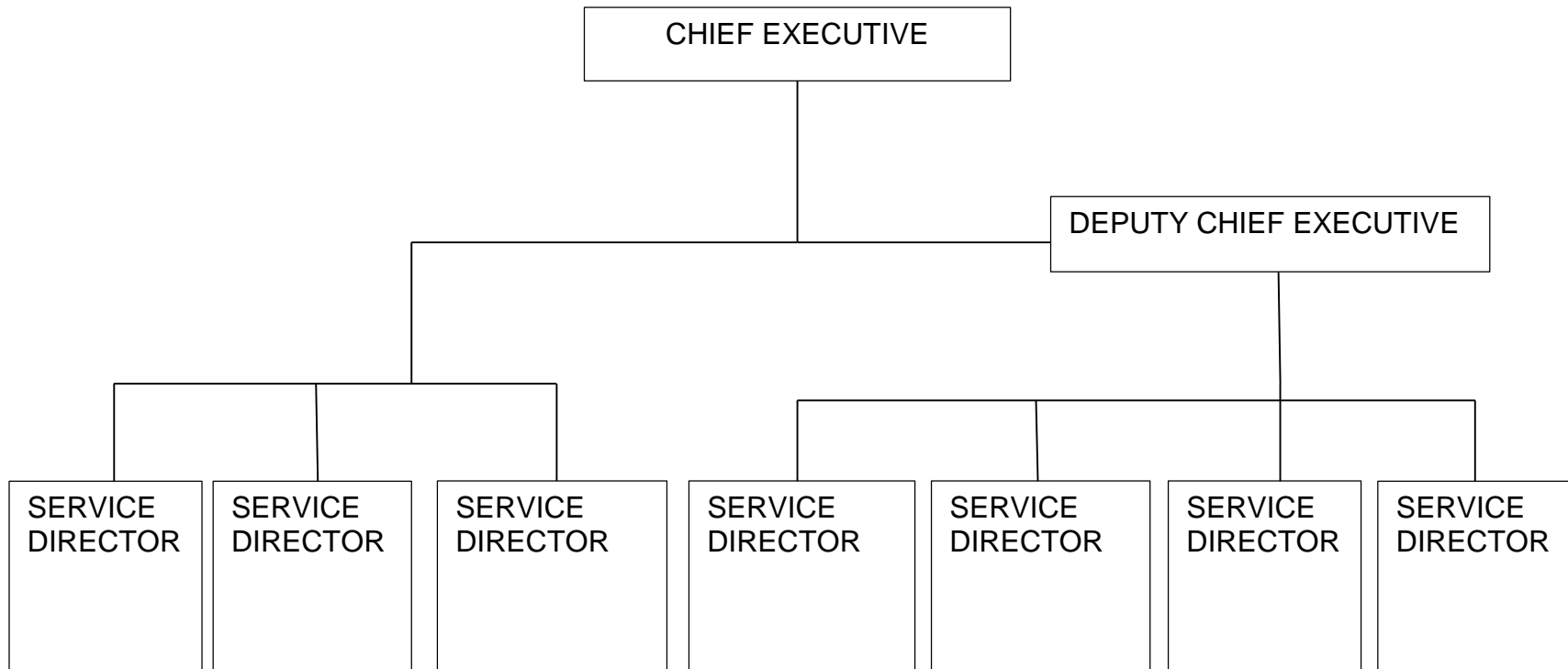


\* posts vacant subject to interim arrangements









This page is intentionally left blank

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b> <b>13A</b>
----------------------------------	--------------------------------------

## **TITLE OF REPORT: QUESTIONS FROM MEMBERS**

In accordance with Standing Order 4.8.11(b), four questions were submitted by Members by the deadline date for questions set out in the Council's Constitution.

In accordance with Standing Order 4.8.11(f) – Maximum Number of Questions:

“A Member may ask only one question under 4.8.11(b) or 4.8.11(c) except with the consent of the Chairman of the Council, committee or subcommittee. The maximum number of questions that may be asked at any meeting of the Full Council is three. If there are multiple parts, then each will be treated as an individual question for the purposes of this Rule and if the number of questions exceeds three the questions to be asked shall be determined by ballot to be conducted by the Proper Officer. Any outstanding questions unable to be asked should be addressed in writing to the Proper Officer for a written response to be provided to all Members.”

Accordingly, a ballot was conducted on 14 July 2017 and the three questions set out below were selected at random. In accordance with the Constitution, written answers will be provided to all Members in respect of the question (set out overleaf) that was unsuccessful in the ballot.

### **(A) Planning Applications**

Councillor Steve Jarvis to Councillor David Levett (Executive Member for Planning and Enterprise):

“Why have the Council's officers been asking developers to submit planning applications for sites identified in the Local Plan in advance of the Examination in Public of the Plan?”

### **(B) Transport, Parking Enforcement and Safety**

Councillor Judi Billing to Councillor Ray Shakespeare-Smith (Executive Member for Policy, Transport and Green Issues):

“Could the Portfolio Holder for Policy, Transport and Green Issues outline what arrangements are being put in place to ensure that we have the capacity to fulfil our responsibilities for transport, parking enforcement and safety including liaising properly with the County Council on such issues for the benefit of the people of North Herts?”

### **(C) Communication to Members**

Councillor Ian Albert to Councillor Ray Shakespeare-Smith (Executive Member for Policy, Transport and Green Issues):

“Could the Portfolio Holder for Policy, Transport and Green Issues outline his views for ensuring that councillors are kept informed by officers of matters of importance to their roles as effective ward councillors, so that they are not mostly informed of such matters by the press, community groups or constituents?”

**The following question was unsuccessful in the ballot, and will be dealt with by way of a written response from the Executive Member to all Members of the Council:**

**Hitchin Town Centre Working Party**

Councillor Paul Clark to Councillor Lynda Needham (Leader of the Council):

“When will the Hitchin Town Centre Working Party meet following the Project Board being wound up?”

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b> <b>14</b>
----------------------------------	-------------------------------------

**TITLE OF REPORT: NOTICE OF MOTIONS**

To consider any Motions submitted by Members of the Council, due notice of which has been given in accordance with Standing Order 4.8.12.

**THIS PAGE IS BLANK**