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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

THURSDAY, 8 FEBRUARY 2018

at

7.30 PM

Yours sincerely,

David Miley
Democratic Services Manager

Agenda
Part I

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1.	**APOLOGIES FOR ABSENCE**	
2.	**MINUTES - 18 JANUARY 2018** To take as read and approve as a true record the minutes of the meeting of the Council held on 18 January 2018.	1 - 8
3.	**NOTIFICATION OF OTHER BUSINESS** 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 any item(s) raised will be considered.	
4.	**CHAIRMAN'S ANNOUNCEMENTS** 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.	
5.	**PUBLIC PARTICIPATION** To receive petitions, comments and questions from members of the public.	
6.	**REGENERATION OF CHURCHGATE SHOPPING CENTRE** REPORT OF THE DEPUTY CHIEF EXECUTIVE	9 - 22
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NORTH HERTFORDSHIRE DISTRICT COUNCIL

MINUTES

Meeting of the Council held in the Spirella Ballroom, Icknield Way, Letchworth Garden City on Thursday, 18th January, 2018 at 7.30 pm

PRESENT: *Councillors Councillor Alan Millard (Chairman), Councillor John Bishop (Vice-Chairman), Ian Albert, David Barnard, Clare Billing, Judi Billing, John Booth, Paul Clark, Julian Cunningham, Bill Davidson, Elizabeth Dennis, Sarah Dingley, Faye Frost, Jane Gray, Jean Green, Gary Grindal, Nicola Harris, Simon Harwood (from 7.45pm), Steve Hemingway, Terry Hone, Tony Hunter, Steve Jarvis, David Levett, Bernard Lovewell, Ian Mantle, Paul Marment, Lynda Needham, Janine Paterson, Frank Radcliffe, Mike Rice, Deepak Sangha, Ray Shakespeare-Smith, Val Shanley, Harry Spencer-Smith, Martin Stears-Handscomb, Claire Strong, Richard Thake and Michael Weeks.*

IN ATTENDANCE: *David Scholes (Chief Executive), Anthony Roche (Deputy Chief Executive), Ian Couper (Head of Finance, Performance and Asset Management), Howard Crompton (Head of Revenues, Benefits and IT), Geraldine Goodwin (Revenues Manager), Jeanette Thompson (Acting Corporate Legal Manager), David Miley (Democratic Services Manager) and Ian Gourlay (Committee and Member Services Manager)*

ALSO PRESENT: *1 member of the public.*

54 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Steve Deakin-Davies, Cathryn Henry, Fiona Hill, Lorna Kercher, Sandra Lunn, Jim McNally, Gerald Morris, Michael Muir, Adrian Smith and Terry Tyler.

55 MINUTES - 23 NOVEMBER 2017

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 23 November 2017 be approved as a true record and signed by the Chairman.

56 NOTIFICATION OF OTHER BUSINESS

No additional business was presented for consideration by the Council.

57 CHAIRMAN'S ANNOUNCEMENTS

(1) <u>Former Councillor Philip MacCormack</u>

The Chairman had the sad duty to announce that former Councillor Philip MacCormack, who represented Hitchin Highbury Ward from 1980 to 1992 and was Chairman of the Council in 1989/90, had passed away recently.

The Chairman asked everyone to stand to observe a Minute’s silence in memory of former Councillor MacCormack.

(2) 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.

58 PUBLIC PARTICIPATION

There was no public participation.

59 MEMBERS' ALLOWANCES SCHEME 2018/19

The Council considered the report of the Chief Executive in respect of a proposed Members' Allowances Scheme for 2018/19. The following appendices were submitted with the report:

Appendix A – A draft Members' Allowances Scheme for 2018/19 based upon a general 2% increase for inflation; and
Appendix B – Comparator local authorities.

It was moved by Councillor Mrs L.A. Needham, and seconded by Councillor T.W. Hone, that the Members' Allowances Scheme set out at Appendix A to the report be agreed for the financial year 2018/19.

At the conclusion of the debate, and in accordance with Standing Order 4.8.16(h), Councillor Frank Radcliffe requested that a Recorded Vote be undertaken on the motion.

(Voting:

For: Councillors David Barnard, John Bishop, John Booth, Julian Cunningham, Bill Davidson, Faye S. Frost, Jane Gray, Jean Green, Steve Hemingway, Terry Hone, Tony Hunter, David Levett, Bernard Lovewell, Jim McNally, Alan Millard, Lynda Needham, Janine Paterson, Mike Rice, Ray Shakespeare-Smith, Valentine Shanley, Harry Spencer-Smith, Mrs C.P.A. Strong, Richard Thake and Michael Weeks - 24

Against: Councillors Ian Albert, Clare Billing, Judi Billing, Paul Clark, Elizabeth Dennis, Sarah Dingley, Gary Grindal, Nicola Harris, Steve Jarvis, Ian Mantle, Frank Radcliffe, Deepak Sangha, and Martin Stears-Handscomb – 13

Abstentions: 0

The motion was carried.).

RESOLVED: That the Members' Allowances Scheme set out at Appendix A to the report be agreed for the financial year 2018/19.

REASON FOR DECISION: To ensure that the Council meets statutory requirements.

60 ELECTORAL SERVICES - SCALE OF FEES 2018/19

The Council considered the report of the Chief Executive in respect of Electoral Services – Scale of Fees 2018/19. The following appendix was submitted with the report:

Appendix A – Recommended Scale of Fees 2018/19.

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

RESOLVED: That the Scale of Electoral Services Fees for 2018/19, as set out at Appendix A to the report, be approved.

REASON FOR DECISION: To enable the Council to set a Scale of Fees for 2018/19.

61 COUNCIL TAX REDUCTION SCHEME 2018/19

The Executive Member for Finance and IT presented the report of the Head of Revenues, Benefits and IT in respect of the proposed Council Tax Reduction Scheme (CTRS) 2018/19. The following appendices were submitted with the report:

Appendix 1 – Council Tax Reduction Scheme 2018/19; and
Appendix 2 – Glossary of Terms.

The Executive Member for Finance and IT referred to a small update to Paragraph 5.8 of the report, which was to confirm that the Council had not received any comment on the proposed Scheme from either Hertfordshire County Council or the Hertfordshire Police and Crime Commissioner.

The Executive Member for Finance and IT advised that the Council had a legal obligation to operate a CTRS and had done so since 2013/14. To simplify the issue, in practical terms the Council had chosen to reflect the terms of the old Council Tax benefit scheme and then to amend these in the fashion set out in Paragraph 7.4 of the report. Essentially, pensioners' (and their dependents) benefits were protected on the same basis as the old scheme. Further, to comply with the Government directive that any new scheme should incentivise work the earnings disregard within the scheme were increased by 50%.

The Executive Member for Finance and IT stated that, given that the Government support for all such schemes was reduced at inception by 10%, Councils had to decide how this reduction in support should be applied to those in receipt of non-protected benefits. NHDC had opted initially to reduce all benefits paid to non-protected recipients by 33.33%, but this had been reduced to 25% from 2015/16.

The Executive Member for Finance and IT explained that because of the wayin which the scheme operated, it was subject to two major variables, namely the actual Council Tax income that was foregone by the Council and the number of claimants under the scheme. The level of Council Tax charged to residents had been increasing throughout the duration of the scheme, whilst the number of claimants had been reducing. The interaction of these two factors was set out in Paragraph 8.38 of the report. It should be noted that whilst there had been an overall reduction in the number of claims of nearly 20% the total value of claims had only fallen by some 8.3%.

The Executive Member for Finance and IT advised that the Cabinet had reviewed the operation of the scheme on two occasions in the last six months and were recommending two small technical changes to the detail of the operation of the scheme, the details of which were set out in Paragraphs 8.3 and 8.4 of the report, which basically reflected similar changes which were being applied to the test for Housing Benefit.

The Executive Member for Finance and IT stated that the other factor which had been considered was whether or not the current 25% reduction factor should be amended. One of the major variables in the scheme was the level of Council Tax that the Council would need to forego through its operations, and whilst final decisions were still to be made, it was unfortunate that that it was expected that precepts would increase across all the major precepting bodies. With this in mind, and even allowing for the extremely high collection rates achieved by the Council, it was not believed that it was appropriate to make any changes this year and hence it was recommended that the discount level remained at 25%.

The Executive Member for Finance and IT drew attention to the proposal set out at Paragraph 8.26 of the report. This related to the "funding" of the payments that the Council received from Central Government and which the Council passed on to Parish, Town and Community Councils. This was originally set at £91,000. It had, however, reduced over the years in line with the percentage reduction in general financial settlement that the Council received from the Department of Communities and Local Government. Paragraph 8.26 referred to a sum of around £39,000 which it was proposed to pass onto these organisations in 2018/19. However, he reminded Members that the Council now found itself in the situation where it was in a negative Rate Support Grant (RSG) position, whereby it was required to pay Council Tax Payers money to Central Government. Whilst it was the case that RSG was only a proportion of the funds that the Council received from Central Government it was a substantial proportion, and he therefore intended to instruct officers to open discussions with parishes as to the impact of ending this payment from the 2019/20 financial year.

It was moved by Councillor Julian Cunningham, seconded by Councillor Mrs L.A. Needham and, following debate and upon being put to the vote, it was

RESOLVED:

(1) That the Scheme attached at Appendix 1 to the report, be approved as the Council Tax Reduction Scheme (CTRS) for North Hertfordshire for 2018/2019;

(2) That in accordance with Section 59A.1 of the Council Tax Reduction Scheme referred to in (1) above, the percentage by which each award to each recipient in the Non-Protected Groups be reduced at 25% for 2018/2019 (the same as for 2017/2018); and

(3) That the amount to be distributed to the Local Precepting Authorities for Council Tax Reduction Scheme Grant is £38,885 and that this is distributed in proportion to the total awards of CTRS in each Local Precepting area.

REASON FOR DECISION: To comply with the requirement to approve the local Council Tax Reduction Scheme fro the coming financial year.

62 REVIEW OF THE COUNCIL'S BYELAWS - CONSULTATION OUTCOMES AND PROPOSED REVOCATIONS

The Acting Corporate Legal Manager presented a report regarding the proposed revocation of the Council's byelaws. The following appendices were submitted with the report:

Appendix A – Revocation Byelaw – DCLG;
Appendix B – Revocation Byelaw - Department of Health;
Appendix C - Revocation Byelaw – Department of Transport;
Appendix D – Revocation Byelaw – Department of Environment, Food & Rural Affairs; and
Appendix E – Public Consultations Comments and responses.

The Acting Corporate Legal Manager advised that the byelaws issue last came before the Council in April 2017, when the reasons for the proposed revocations were set out in the report to that meeting, the major reason being that the byelaws had been largely superseded by subsequent legislation and were therefore no longer necessary.

The Acting Corporate Legal Manager stated that public consultation had taken place regarding the proposed revocations. The first public consultation took place from 11 July 2017 to 22 September 2017. 34 responses were received (27 residents, 6 Parish Councils and 1 Community Organisation), with 79% being in favour of the revocations. Public consultation had then taken place on the draft Revocation Byelaws themselves (from 20 November 2017 to 22 December 2017) and 2 responses were received (1 in favour and the other against). As the response from the first consultation had been significantly greater, with a majority in favour, it was decided to continue with the revocations process.

The Acting Corporate Legal Manager explained that, if the Council agreed to the draft DCLG Revocation Byelaw set out at Appendix A to the report, this would come into force on 17 February 2018. The consequential steps regarding the making of this Revocation Byelaw were set out in Paragraph 8.11 of the report.

In respect of the Revocation Byelaws set out at Appendices B, C and D to the report, the Acting Corporate Legal Manager commented that, as they fell within the responsibility of other Secretaries of State, they would need to be confirmed by the Secretary of State before coming into force. The consequential steps for the making of these Revocation Byelaws were set out in Paragraph 8.12 of the report.

In conclusion, the Acting Corporate Legal Manager referred to an amendment to recommendation 2.4 of the report, where the word “consequently” should be replaced by the word “consequential”.

It was moved by Councillor Mrs L.A. Needham, and seconded by Councillor Julian Cunningham, that the recommendations contained in the report, including the amended recommendation 2.4, be approved.

In response to a Member’s request, the Acting Corporate Legal Manager undertook to investigate the cost of the officer time spent in preparation of the byelaws report.

Following debate, and upon the motion being put to the vote, it was

RESOLVED:

(1) That the outcome from the public consultations and the representations received be noted and given due consideration;

(2) That the Revocation Byelaw set out at Appendix A to the report be made;

(3) That the Revocation Byelaws set out at Appendices B, C and D to the report (which are subject to statutory confirmation from the appropriate Secretary of State before coming into force) be made; and

(4) That Acting Corporate Legal Manager be authorised to undertake any necessary/consequential steps in relation to following the resolutions under (2) and (3) above.

REASON FOR DECISION: To ensure that byelaws for North Hertfordshire District Council are current, reflect modern society and are enforceable.

63 ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 20 NOVEMBER 2017 - UPDATED FINANCIAL REGULATIONS

The Council considered the Minute of the meeting of the Finance, Audit and Risk Committee held on 20 November 2017, in respect of proposed updated Financial Regulations (Minute 48 refers). A copy of the report considered by the Finance, Audit and Risk Committee was included with the agenda, as was the following appendix:

Appendix A – Proposed Financial Regulations.

It was moved by Councillor Terry Hone, and seconded by Councillor Simon Harwood, that the proposed updated Financial Regulations, as attached at Appendix A to the report, be adopted.

As an amendment, it was moved by Councillor Julian Cunningham, and seconded by Councillor Terry Hone, that the following words be added at the end of the recommendation:

"subject to Section 3.8 of the Regulations at Page 212 being amended to delete in the 4th line the words 'are both greater than 5% of the budget for that area and' "

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

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

RESOLVED: That the proposed updated Financial Regulations, as attached at Appendix A to the report, be adopted, subject to Section 3.8 of the Regulations at Page 212 being amended to delete in the 4th line the words "are both greater than 5% of the budget for that area and".

REASON FOR DECISION: To reflect changes to the staffing structure, to make the regulations more concise with easier to find information, and to incorporate other minor updates.

64 APPOINTMENT OF PARISH COUNCIL REPRESENTATIVE TO THE STANDARDS COMMITTEE

The Acting Monitoring Officer presented a report seeking confirmation of the appointment of co-opted Parish Council representative to the Council's Standards Committee. The following appendix was submitted with the report:

Appendix A – Selection criteria.

It was moved by Councillor Mike Rice, seconded by Councillor Mrs L.A. Needham, and

RESOLVED: That the appointment of Councillor Gary Hills (Great Ashby Community Council) as non-voting co-optee of the Standards Committee be confirmed.

REASON FOR DECISION: To ensure Parish Council input into the considerations of the Standards Committee and Sub-Committee, in accordance with the approach previously approved by Council.

65 QUESTIONS FROM MEMBERS

(A) Joint Waste Contract – Emptying of Brown Bins

In accordance with Standing Order 4.8.11(b), the following question had been submitted by Councillor Steve Jarvis to Councillor Michael Weeks (Executive Member for Waste, Recycling and Environment):

"When does the Council expect to advise residents the details of the system of how the correct brown bins will be emptied once charging is introduced?"

Councillor Weeks replied that the Council proposed to launch a communications campaign in early February 2018, which would include flyers through letter boxes, online and in the Council's "Outlook" Magazine. To identify those residents whose garden waste scheduled to be collected on a particular day the new vehicle fleet would contain in-cab technology which would inform the Collection Team of those properties to be collected from.

Councillor Weeks commented that it was likely that there would be some teething problems in the early stages, but he was confident that these would be overcome in due course.

As a supplementary question, Councillor Jarvis asked if Councillor Weeks considered that, with the operatives having to regularly consult the vehicle cab to ascertain which brown bins to collect, this would be an impediment to the speed and efficiency of future collections?

Councillor Weeks replied that the existing method of operatives walking ahead of the vehicles to group together brown bins for subsequent collection appeared to be the most ergonomic was of collecting under the current scheme. However, once the charging regime commenced it would be the case that not everyone would have a brown bin in the street, and that the "genuine" ones would need to be identified. There were other ways in which bins could be identified, possibly via stickers on the bins, but he-re-iterated his earlier comment that he was confident that any teething problems would be overcome.

(B) <u>14/15 Brand Street, Hitchin</u>

In accordance with Standing Order 4.8.11(b), the following question had been submitted by Councillor Paul Clark to Councillor Mrs L.A. Needham (Leader of the Council):

"In light of the recent issue with Hitchin Town Hall how does the Leader of the Council propose to resolve the issue of 14/15 Brand Street?"

Councillor Needham replied that she would very much like to see the matter of 14/15 Brand Street resolved so that the Museum could open with an impressive entrance. This was clearly her view, otherwise she would not have allowed the urgent item on the matter to have been considered at the March 2017 Cabinet meeting, when he had thought that the agreement was just waiting for all parties to sign. However, other issues had been put on the table since then.

Councillor Needham reminded members that Hitchin Town Hall was open, and many excellent events had been held, with the Council enjoying a level of income from that facility. The Museum was also open for guided tours, and had hosted a number touring exhibitions which had proven to be very popular with the residents of North Hertfordshire.

Councillor Needham further reminded Members that the Council was not in control of resolving the matter, and that officers had been trying to negotiate a solution for the past 18 months with Hitchin Town Hall Limited and Hitchin Town Hall Finance Limited for the Council to acquire the land. Those negotiations were continuing, but she emphasised that any deal must be in the interests of the Council Tax payers of North Hertfordshire.

Councillor Needham stated that the Council had offered a date in early February 2018 for a meeting with an advisor, prior to negotiations re-commencing. Report on 14/15 Brand Street were due to be presented to the Cabinet meeting on 23 January 2018 on alternative options to try to resolve the matter should the re-commenced negotiations fail to yield satisfactory results.

As a supplementary question, Councillor Clark asked, as Hitchin Town Hall Limited and Hitchin Town Hall Finance Limited were properly constituted organisations, what right did the Council have to choose which Directors of those organisations it dealt with?

Councillor Needham replied that this had been an agreement that was put on the table by Hitchin Town Hall Limited right at the very beginning of the process. It was Hitchin Town hall Limited's idea to draw a line under past events, and those that might have affected past events. Hitchin Town Hall Limited had therefore chosen with whom the Council would be negotiating, and the Council had agreed to that choice.

(C) <u>14/15 Brand Street, Hitchin</u>

In accordance with Standing Order 4.8.11(b), the following question had been submitted by Councillor Ian Albert to Councillor Mrs L.A. Needham (Leader of the Council):

"In the light of the continuing delays to fully open the North Herts Museum, at the cost of local residents and Museum staff, can the Leader provide an update to this Council meeting on progress of negotiations with HTH Ltd and HTHF Ltd?"

Councillor Needham referred Councillor Albert to the response she had given to Councillor Clark in respect of Question (B) above.

As a supplementary question, Councillor Albert drew attention to Paragraphs 8.1 and 8.2 of the report being presented to the Cabinet meeting on 23 January 2018, which referred to the latest version of the draft agreement, and therefore for the avoidance of doubt, could Councillor Needham ensure that the Chief executive did everything in his powers, including liaising directly with Hitchin Town Hall Limited and Hitchin Town Hall Finance Limited to ensure that the draft agreement to be discussed by Cabinet was mutually agreed, if at all possible, as the latest position to which discussions had reached?

Councillor Needham replied that, in accordance with her earlier answer to Councillor Clark's question, she was hoping that negotiations would re-commence in early February 2018. As the Cabinet would be meeting on 23 January 2018 she would not be able to look at the results of those negotiations until after the early February 2018 meeting. If she had to call an emergency Cabinet meeting after the early February 2018 meeting then she would not hesitate to do so.

66 NOTICE OF MOTIONS

There were no notices of motion.

The meeting closed at 8.20 pm

Chairman

COUNCIL
8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 6

TITLE OF REPORT: REGENERATION OF CHURCHGATE SHOPPING CENTRE

REPORT OF THE DEPUTY CHIEF EXECUTIVE
EXECUTIVE MEMBER: LEADER OF THE COUNCIL AND EXECUTIVE MEMBER FOR FINANCE AND IT
COUNCIL PRIORITY: ATTRACTIVE AND THRIVING / PROSPER AND PROTECT

1. EXECUTIVE SUMMARY

1.1 The purpose of the report is to inform Full Council of a potential joint venture opportunity with Shearer Property Group (SPG) for the regeneration of the Churchgate Centre in Hitchin and to seek approval to progress negotiations further to establish whether agreement can be reached on the terms of any potential investment by the Council.

2. RECOMMENDATIONS

2.1 That Full Council support the principle of a joint venture regeneration of the Churchgate Centre with the Council as funder of the regeneration.

2.2 That Full Council authorise the Deputy Chief Executive, in consultation with the Chief Finance Officer, the Leader of the Council and Executive Member for Finance and IT, to progress negotiations with Shearer Property Group on the terms of a potential joint venture regeneration of the Churchgate Centre, subject to Full Council's final approval of the terms of any proposal.

2.3 That Full Council notes the proposal to allow the contract for the management of Hitchin Market to expire and for the market to be managed in-house, subject to Cabinet's approval.

3. REASONS FOR RECOMMENDATIONS

3.1 The Council has been seeking to regenerate the Churchgate Centre for a number of years and a number of different proposals have been considered during that time, with none of those proposals progressing to a successful conclusion. The proposal currently being considered finds a solution to a number of the problems faced by previous proposals and would appear to be achievable in the short term. The proposals would also see significant investment in Hitchin Market and the public realm. The Council's potential investment in this regeneration opportunity is also expected to provide a reasonable financial return.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Full Council has received a number of reports on the subject of Churchgate historically (see Background section below) and those reports explored a number of different alternative options for the site. At the current time the alternative options can best be summarised as any combination of the following:-

i) do nothing; and/or
ii) await Local Plan adoption and subsequent town centre strategy work; and/or
iii) allow SPG option to purchase to expire and seek to acquire on the open market; and/or
iv) extend/ re-let the contract for the management of Hitchin Market in the short term, pending further consideration of the operation of the market.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The Leader of the Council and Executive Member for Finance and IT have been kept informed of the discussions with SPG and consulted as appropriate. The Chair of Hitchin Committee was briefed on the proposal on 9 January 2018 and an all-Member briefing was held on 31 January 2018. The Council has submitted a bid for funding for the market and public realm proposals to the Hertfordshire Local Enterprise Partnership (see section 8 below).

5.2 Officers met with Hitchin Market Ltd on 25 January 2018 and informed them of the proposals for the market and its management, as outlined in this report.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key decision and therefore there is no requirement that it be referred to in the Forward Plan. Nonetheless it was added to the Forward Plan on 19 January 2018 for reasons of transparency.

7. BACKGROUND

History of the Council's aspirations and recent decisions

7.1 The Council has been seeking to regenerate this area of Hitchin town centre for a number of years. It was first identified as an area for development in the Council's Local Plan No.2 adopted on 20 July 1993, and again identified for development in the Local Plan No.2 with alterations adopted on 23 April 1996 and the draft (unadopted) Local Plan No.3 in December 1999. A Hitchin Town Centre Strategy adopted in November 2004 and a Churchgate Area Planning Brief adopted in November 2005 formed the basis of seeking a suitable development partner. The site identified included the Churchgate Centre, the market area and four adjacent car parks. An OJEU procurement process led to Simons Developments having a contract between 2010 and 2013 for the redevelopment opportunity, but they were unable to make sufficient progress towards a viable scheme that was acceptable in design terms and the Council ended the contract in March 2013. Subsequent discussions with the existing leaseholder as to whether a joint approach to redevelopment might achieve a viable scheme ended in February 2016 after the leaseholder accepted their proposals for their Churchgate Extension Scheme were not viable.

7.2 A number of challenges have defeated previous attempts to produce a viable scheme for a regeneration, including:–

- the cost of buying, knocking down and rebuilding the existing shopping centre as part of a wider regeneration;
- the cost of replacing car parking that would be lost with a wider regeneration;
- the scale and massing of development required to achieve a viable wider regeneration scheme, in particular with reference to the historic buildings nearby;
- finding a suitable alternative provision for the market;
- the public response to a wider regeneration;
- the limitations of the configuration of the land available;
- achieving viability in a challenging economic market where tenants are not committing to schemes and commercial lending rates remain challenging.

7.3 Since 2008 the Council has had contact with eight different developers, all of whom have been unable to propose a viable regeneration of the wider site. It should be noted that none of these schemes failed for reasons of lack of demand from potential tenants. Hitchin remains an attractive location for retailers and advice provided by lettings agents as part of the investigations of the current proposals shows strong demand, provided the right environment is created. Additionally the previous unsuccessful attempts at regeneration followed the traditional model of being developer led, with the Council not taking a proactive role after developing the planning policy and procuring a developer to lead a scheme. It is clear a different approach is required.

7.4 A fuller history of the project can be found in the reports to NHDC Full Council on 31 January 2013 and 11 February 2016 (links below)
http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=COU&meet=30&arc=71
http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=COU&meet=93&arc=71

The decisions in the last three years most relevant to the matters in this report are set out below at paragraphs 7.5 and 7.6.

7.5 On 27 November 2014 Full Council:-

*"**RESOLVED**:*

(1) That the legal advice set out at Appendix A to the report be noted;

(2) That, having considered its aspirations for the future of the Churchgate site and its surrounding area, the Council discontinues the current approach based on the Churchgate Planning Brief and considers alternative approaches for a smaller scheme in the short term; and

(3) That Officers be instructed to investigate the Council's preferred approach, as agreed in (2) above, and report back to Council setting out the options and points for consideration to progress the project.

***REASON FOR DECISION**: To allow the Council to clearly state its current aspirations for the Churchgate area of Hitchin in the light of the history of the project to date and provide clarity on its preferred approach going forward."*

7.6 Full Council's most recent decision in respect of Churchgate was on 11 February 2016 where it was:-

*"**RESOLVED**:*

(1) That work on the Churchgate Project cease; and

(2) That the possibility of acquiring the Churchgate Centre be explored, subject to further consideration of the commercial case for so doing at a future meeting of the Council.

***REASON FOR DECISION**: To review the Council's strategic approach to the site, in an endeavour to find a viable and acceptable solution for the Churchgate Centre and surrounding area."*

Involvement of Shearer Property Group

7.7 On 5 April 2016 the Council was approached by Shearer Property Group (SPG) (see http://www.spglondon.com/) who explained that they had agreed a binding option to purchase the Churchgate Centre from the existing owner, Hammersmatch. SPG requested to meet with the Council in order to explain its aspirations for the Churchgate Centre. Since an initial meeting on 13 April 2016, a number of different options have been put forward by SPG and discussed with the Council, including developer led regeneration and joint venture opportunities with the Council. Throughout those discussions SPG have stressed the importance of investment by the Council in the public realm and market in order to complement a regenerated shopping centre.

7.8 After working on possible solutions for twelve months SPG concluded that a developer led regeneration of the shopping centre was not financially viable at that time. This was due to the rates that they could borrow at and the returns that they would require from an investment. However, SPG put forward that a regeneration funded by the Council could still be viable. This would be due to the wider regeneration benefits of the investment and the ability to access cheaper funding. Due to the budgetary pressures on the Council and the need to identify new investment opportunities, officers and the Leader of the Council and Executive Member for Finance and IT felt that further work should be undertaken in order to establish whether there was a sufficiently attractive proposition for the Council to invest in, that both provided much needed regeneration of the shopping centre and also provided an acceptable financial return to the Council. The outcome of those further discussions with SPG is being presented to Full Council to seek agreement in principle to the proposals, before then undertaking the further detailed work that would be needed in order to finalise and formalise a joint venture arrangement. If Council is unable to support the principle of the proposals then it would not be an effective use of Council resources to undertake that more detailed work.

8. RELEVANT CONSIDERATIONS

Proposals for Churchgate Centre

8.1 The proposal being investigated is a regeneration of the Churchgate Centre on its existing footprint. In broad terms a new frontage would replace the existing and the centre re-roofed, with some re-configuration of the existing units as required in order to make them suitable for the targeted tenants. In particular the frontage onto Market Place would be completely redesigned and reworked. This transformative "face-lift" of the Centre is intended to create a step change in the quality of the units available, thereby making them more attractive to retailers. The significant advantage of the approach being proposed is that it addresses all of the issues listed in paragraph 7.2 which have affected previous attempts to regenerate the site.

8.2 With regard to potential tenants, a mix of food and beverage operators and aspirational/lifestyle retailers would be targeted, with some smaller units currently remaining earmarked for existing tenants. On the proposals currently being investigated there would not be any one single large operator anchoring the centre. Feedback received from agents to SPG is that there is good demand from operators for the right type of units in Hitchin. This has also been confirmed by the Council's consultant. As with any shopping centre key elements in reaching agreement with potential tenants are the incentives they would demand as part of any lease negotiations (for example rent free periods, or contributions to fit out costs) and ensuring an attractive environment from which they operate.

Proposals for Hitchin Market and the Public Realm

8.3 Hitchin is an historic market town. The market rights are owned by the Council and it is currently managed by Hitchin Markets Limited, with the contract expiring on 31 July 2018. This arrangement started in 2008 and the management contract includes a break clause that allows the Council to terminate the arrangement (with no liability for costs) for reason of development of the Churchgate Shopping Centre, provided at least three months prior written notice is provided.

8.4 As stated at 8.2 above one of the key challenges in attracting retailers is ensuring the surrounding environment is attractive and a vibrant space which supports the investment being made in the shopping centre. The market has been without significant investment for a number of years and there now exists an opportunity to invest in it in order to re-invigorate it and ensure it continues to meet the needs of the community going forward. The proposals being considered include investment in the market and surrounding public realm, with a new public space being created adjacent to the shopping centre and the market broadly in its current location, but with the core of it being at the Queen Street end of the current space. The proposal would include a mix of new stalls, both permanent and demountable, which could spread across the terrace below the St Mary's car park towards Portmill Lane, and could include a covered area over the permanent stalls. Please note the indicative plan at Appendix A shows a potential layout for stalls, but should not be taken as any indication of the potential number of stalls.

8.5 In order to most efficiently and effectively facilitate and manage the investment in the market the current thinking is that the contract for the management of the market would be allowed to expire, with the Council managing in-house the operation of the market in the short term both before and after the regeneration of it. Consideration will be given to the future management of the market as part of the ongoing assessment of the proposals and any in-house management would not preclude an outsourced arrangement, or other alternative arrangement, at any time in the future. In-house management of the market would of course mean that any direct surplus generated would be retained by the Council. Any surplus would provide a contribution towards the management and regeneration of the market. If Full Council agrees to the principle of the regeneration investment a separate report will be taken to the March meeting of Cabinet for a decision on the Hitchin Market contract.

8.6 With regard to the public realm, resurfacing of the 'mall' down the middle of the Churchgate Centre, the new public space, the market area and terrace and steps in front of St Mary's car park would transform the look and feel of the area. Removal of the walls between the current market and the Church would open up the space and provide enhanced views of the Church from the new public space. Additionally consideration can be given to relocation of the electricity sub-station and refurbishment of the toilet block. The level of investment in the public realm and market is dependent on the cost and funding available.

Funding

8.7 As stated at paragraph 7.7, the proposal being put forward is that the Council fund the regeneration, with SPG providing specialist expertise and knowledge. In return the Council would receive the lion's share of the revenue generated and SPG a much smaller share, subject to agreement on that split. In light of the proposed capital programme (see elsewhere on agenda), which has allocated substantially all of the Council's current and forecast capital reserves, officers have been working on the prudent basis that the Council would need to borrow from the Public Works Loan Board (PWLB) all sums required for the regeneration of the Churchgate Centre. Local authorities are able to borrow provided that it is in accordance with the Prudential Code, as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Meeting these requirements needs to be confirmed by the Council's Chief Finance Officer. The Council's Chief Finance Officer is satisfied that the principle of borrowing to fund the regeneration of the shopping centre would meet the requirements of the Prudential Code.

8.8 The interest rates charged by PWLB are published twice daily and are not fixed until you draw down the loan. Additionally the rates vary according to the length of loan taken out. Where the Council borrows money to fund capital investment it is a requirement of local government finance rules to make provision for the repayment of the lump sum at the end of the loan period. This is known as the Minimum Revenue Payment (MRP). Based on the current financial projections, a potential investment in regenerating the shopping centre would cover the revenue cost of borrowing (both interest and MRP) and provide the Council with a reasonable return on its investment over and above the income currently generated from the ground rent paid by the current leaseholder to the Council.

8.9 The Council has also submitted a bid to the Hertfordshire Local Enterprise Partnership (LEP) for grant funding to cover the cost of the investment in the market and public realm. On 13 November 2017 the LEP launched an open call for applications from economic development projects in Hertfordshire with £12.5m of capital grant funding available. Bids were required to be submitted by Monday 18 December 2017. Due to the timing of the LEP bidding process it was necessary to submit this bid before seeking approval from Full Council for the principles of the regeneration. Within the LEP bid it was made clear that Full Council's approval had still to be obtained, but that it was being sought. It is believed that the Council's bid meets all the LEP's requirements; however it is known that there are eighteen other bids that have been submitted. Outcomes of this bidding process will be known by the end of March 2018. If this application to the LEP is successful, the level of investment in the public realm and market requested would be transformative creating a vibrant space and would support the delivery of the shopping centre regeneration. If the bid is unsuccessful, or only partially successful, further work would need to be undertaken to consider potential alternative approaches.

Potential Community Benefits

8.10 As Members will be aware the Council has long held aspirations for improvement of the Churchgate Shopping Centre. A brief history is provided in paragraph 7.1 above, however the starting point for those aspirations was even earlier. On 17 November

1986 the Economic Development Sub-Committee received a report titled North Herts Town Centres and their role in the Economy. The report stated “The Churchgate shopping mall is showing its age in many respects and its bland characterless form combines with a need for refurbishment that results in it being considerably less attractive than it could or, indeed, should be.” This is therefore an issue that is still not resolved more than thirty years later.

8.11 The proposals being explored, if able to be successfully delivered, would finally bring a resolution to the issue of the Churchgate Centre. Additionally the surrounding public realm would be transformed, a new public space created and much needed investment made in Hitchin Market. This investment in the town centre would increase the current offer within the town centre and should provide an economic benefit to the rest of the town.

8.12 As noted above in paragraph 8.10, previous reports on the Churchgate Centre have found the existing building to be of a poor quality, to be of bland design and which has not aged well. The existing building does not contribute to and is at odds with the overall character of Hitchin town centre. The regeneration of the Churchgate Centre together with the proposed works to the market and the public realm would provide a welcome opportunity to significantly enhance and improve upon the character and appearance of this part of Hitchin Town Centre and which would also be to the benefit of the wider Hitchin Conservation Area.

8.13 In addition to the potential benefits set out above, this proposal also provides a commercial investment opportunity for the Council, which is anticipated to provide a reasonable return on investment. This increased revenue stream, which would have potential to increase over time as rents increase (as the interest costs remain fixed over the lifetime of the loan), would therefore help to support the provision of Council services generally.

The Future of Hitchin Town Centre

8.14 The Council’s emerging Local Plan (currently at Examination in Public stage) identifies the potential for regeneration of the Churchgate area and the need for additional retail floorspace (paragraphs 13.130 to 13.135 refers – see https://www.north-herts.gov.uk/files/lp1-proposed-submission-local-planpdf). The wider site is allocated for mixed use, retail led, schemes as site HT11. The supporting retail studies which underpin that element of the proposed Local Plan (see https://www.north-herts.gov.uk/files/e2-retail-and-town-centres-background-paperpdf) show a need for retail space in Hitchin, which supports the information provided by lettings agents that there remains strong interest in Hitchin from potential operators. The proposed regeneration of the existing Churchgate shopping centre does not create much additional floorspace (approximately 3,350 sq ft), however there will be a step change in the quality of retail and food and beverage operators who are tenants.

8.15 As noted above the amount of additional floor space proposed does not meet the requirements in the emerging Local Plan (and nor is it intended to). It is important to stress that the proposals currently being explored only relate to the Churchgate Centre and market area and does not include any of the wider area identified in the Local Plan. However the proposed regeneration of the Churchgate Centre, Hitchin Market and the public realm would not preclude other incremental development in the future and would in the meantime provide solutions to issues that have previously posed problematic in unlocking the development potential of the wider site.

Key Challenges to Overcome

8.16 As stressed throughout this report Full Council is being asked whether or not it supports the principle of these proposals, prior to more detailed work being undertaken. Whilst a lot of work has been undertaken to inform the proposals there are still a number of issues that require more work prior to seeking a formal final decision from Council, including (but not limited to):-

- Negotiating and agreeing the final terms of any potential joint venture between the Council and SPG
- Identifying the most appropriate ownership structure, with particular reference to the most tax efficient way for the Council to invest and receive its return
- Further work on the financial viability appraisal to ensure that it reflects any changes to the design proposals and changing market conditions for both costs and potential income
- Reviewing the financial and non-financial risks including the potential ways that they can be managed
- Ensuring sufficient tenant demand
- Obtaining high quality CGI images of the proposed regeneration, to support formal approaches to retailers
- Investigating the ways in which financing costs can be minimised
- The outcome of the LEP bid (see paragraph 8.9) and any adjustments to proposals required as a result
- Ensuring final proposals comply with all statutory requirements
- Consideration of appropriate exit strategies and 'Plan B' options if the Centre is purchased but the regeneration does not proceed

8.17 In the event that the above challenges are overcome and Full Council decides to enter into an agreement for the delivery of the regeneration it is anticipated that it would then take, from that point of final decision, approximately twelve months to conclude all issues prior to getting on site (including planning, procurement etc) and a further approximately twelve months of on site construction works.

Management of the Project

8.18 As stated in paragraph 8.16 above the ownership/investment structure is yet to be determined. From the point of view of the Council's future governance arrangements this means that it could in future be the responsibility of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) or Cabinet or Council itself to deliver. Therefore it is proposed to provide further detail on the future project management arrangements in the next report, once that proposed responsibility is known. In the interim it is therefore recommended that the Deputy Chief Executive be authorised (in consultation with the Chief Finance Officer, the Leader of the Council and Executive Member for Finance and IT) to continue to progress negotiations with SPG, subject to Full Council's final approval of the terms of any proposal.

Conclusions

8.19 The proposals being considered would, on the basis of the information currently available, seem to provide the best opportunity the Council has had for finding a solution to the Churchgate issue. In addition, investment in Hitchin Market and the public realm would create opportunities to transform and reinvigorate the area. This investment, if successful, would create jobs and improve this part of Hitchin town centre, whilst providing a reasonable financial return to the Council. The Council's consultant has confirmed that, in his view, *"The initial work carried out on both the value and cost side of the equation point towards a regeneration that has sufficient financial viability and benefits to the town as a whole to progress to the next level of detail"*. It is therefore recommended to Full Council that this proposal be supported in principle and that further work be undertaken on the details needed in order to report back to Full Council for a final decision on whether to proceed or not.

9. LEGAL IMPLICATIONS

9.1 Full Council's terms of reference include at 4.4.1(v) "to authorise the acquisition of land or buildings where the purchase price, premium or initial rent (after the expiry of any rent free period) exceeds £2,500,000" and at 4.4.1(b) "approving or adopting the budget", which includes the capital programme. The responsibility for the decision on the arrangements for the management of Hitchin Market lies with Cabinet. On 8 April 2008 Cabinet made the decision to outsource the market operations, subject to negotiating suitable agreements with interested operators. The report to Cabinet will need to include the TUPE implications of the proposed change of approach to the management of the market.

9.2 If the Council agrees to support the principle of the proposals being delivered via a joint venture, the legal implications will need to be considered in the light of the specific proposals. The legal implications would likely include procurement, contract, governance and property considerations. If required specific external legal advice will be obtained.

9.3 In accordance with previous reports to Full Council, Members are advised that taking part in Council decisions on the strategy to adopt for the Churchgate Area was unlikely to create a valid perception of predetermination in relation to a Member of the Planning Committee who takes part in the decision relating to any future planning application.

10. FINANCIAL IMPLICATIONS

10.1 A budget of £52,500 previously allocated by Full Council for investigating alternative proposals for the Churchgate Centre has been carried forward from previous years. Up to £15,000 of this has been allocated for development consultancy support for the current proposals and it is proposed that the remainder be used for any further specialist advice required, for example legal or tax advice. At the moment, therefore, no additional budget is being sought to progress these proposals. Any underspend on this budget in 2017/18 will need to be carried forward to 2018/19. This will be reported to Cabinet in due course as part of the regular budget monitoring process.

10.2 The Council is able to fund capital projects from the follow sources:

- Capital reserves
- Grants and other contributions
- Revenue funding
- Prudential borrowing

The funding received from the housing stock transfer in 2003 has meant that for a number of years the Council has funded its capital programme from capital reserves, and any grants and contributions that have been available. The proposed capital programme (see elsewhere on agenda) shows that to fund the current capital programme there will be a need to top up capital reserves from the sale of surplus land

and buildings. If taken forward it is expected that the majority of the potential investment in the Churchgate Centre will need to be funded by borrowing.

10.3 When borrowing for capital expenditure, the Prudential Code (published by CIPFA) determines that the Council must consider whether it is Affordable and Prudent. The consideration of affordability relates to whether the Council can meet the revenue costs of the borrowing, which will be made up of interest and Minimum Revenue Provision (MRP). The expectation is that these will be more than covered by the income from the investment, although they may need to be partly covered from the General Fund during the first few years (i.e. during construction and the early years of operation). Prudence relates to an assessment of the risk, both individually and in the context of the wider treasury position of the Council. As the Council only has a small amount of historic borrowing, this is not a significant factor. The risks in relation to this project will be assessed during the next phase (subject to agreement from Full Council to continue) and will consider variability and sustainability of returns, as well as the security and liquidity of the underlying asset.

10.4 When the Council borrows money to fund a capital investment, it is required to set aside an annual provision for the repayment of the debt. This is known as a Minimum Revenue Provision (MRP) and is a cost to the general fund. There is some discretion as to the phasing of when this is set aside, but it should be linked to the life of the asset it is funding and the benefits that accrue from that asset. This will be determined as part of the next phase of the project (if agreed) and will be reflected in the financial appraisal.

10.5 The returns from this investment are expected to be through a Joint Venture company. They will therefore be subject to Corporation Tax before they are received by the Council. Advice will be obtained on legitimate ways in which the tax liability can be minimised.

11. RISK IMPLICATIONS

11.1 Some of the key risks to the progress of these proposals are set out in paragraph 8.16 above. As part of the LEP bidding process an initial risk log has been created, which identifies 22 potential risks, their consequences and mitigating action required. This risk log will be developed as formal project management arrangements are considered. If the proposals move forward then the project is likely to be proposed as a Top Risk which is then monitored and updated regularly as part of the Council's risk management procedures.

11.2 The Council's Risk and Opportunities Management Strategy refers to Contractors and Partners as follows: *"Contractors and Partners are included in the Risk & Opportunities Management Strategy for NHDC. The risk appetite for both contractors and partners should be considered prior to engaging into contracts or partnerships. Ideally a joint Risk Register should be in place for significant contracts and partnerships. In order to achieve the Council's objectives, Client Officers/relationship managers should implement an ongoing review of risks jointly with appropriate contractors and partners."*

11.3 In accordance with this Strategy the Churchgate Development Project with Simons Developments between 2010 and 2013 had its own Risk Register. Such a document would also be considered should the Council decide to proceed with the joint venture regeneration.

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 Any regeneration proposals for the site will need to consider proposals for thoroughfares, access, surface treatments etc and the needs of the users of the resulting development. These will be considered and recorded under separate equality analysis at the relevant time.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report due to the nature of the decisions Full Council is being asked to make.

13.2 However, any decision Council may make in the future with regard to the regeneration of Churchgate which could, either in whole or part, constitute a public service contract would need to report on the social value implications of each/any option at the time of consideration. This would, in brief, consider how every £1 spent could best be spent to benefit the local community, which may include award of some aspects of redevelopment or management of the centre etc. by local social enterprises, a contractor offering an apprentice scheme or similar.

14. HUMAN RESOURCE IMPLICATIONS

14.1 The current work undertaken to this point has been met from existing resources, with additional external development consultancy expertise sought to support internal skills and knowledge. An internal team of officers including financial, legal, planning and technical expertise has been identified to support the Deputy Chief Executive. The ongoing resourcing requirements will be considered as part of the next phase of work, if Council supports the principle of the proposals, and can be factored into service plans for 2018/19. Additionally the internal resourcing will be considered in the light of any changing responsibilities as a result of the senior management restructure.

15. APPENDICES

15.1 Appendix A – Indicative Site Plan.

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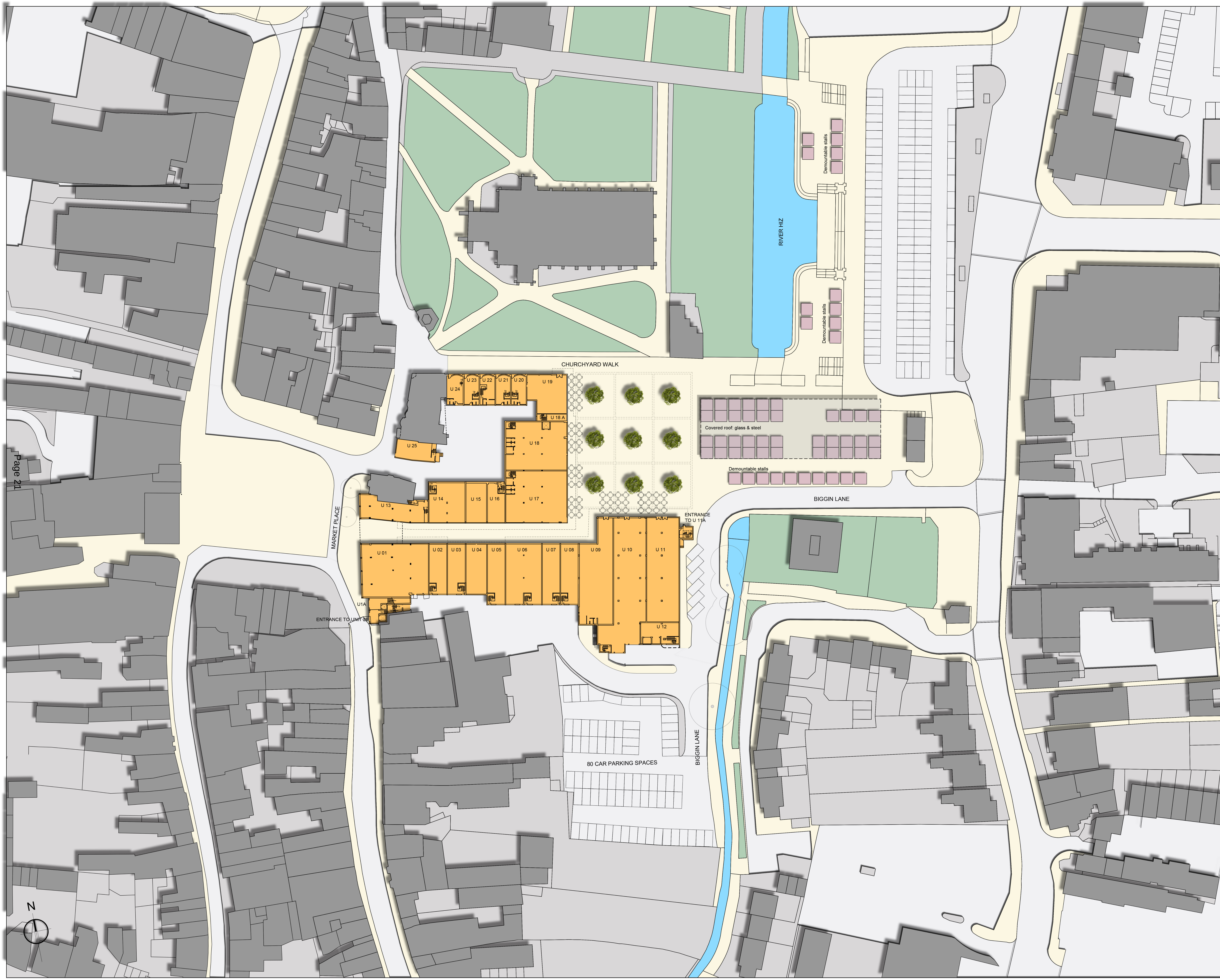
17. BACKGROUND PAPERS

17.1 Reports on previous Churchgate proposals to Full Council dated 31 January 2013 and 11 February 2016.

17.2 Draft Local Plan.



NOTES

This drawing must not be scaled. Use figured dimensions.

All dimensions are to be verified and checked on site. Any discrepancies that are, or become apparent should be reported to Chapman Taylor.

REV	DATE	IN'L	DESCRIPTION	CHK
01	16.09.16	IBR	ISSUE FOR INFORMATION	MZ

PROJECT

CHURCHGATE
HITCHIN

CLIENT

SPG

ARCHITECT

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DRAWING TITLE

SITE PLAN

Ground Floor Plan

JOB NUMBER	SCALE	DRAWN BY	FIRST ISSUE
	1:500@A1	AK	MAY 2016

PRELIMINARY

COMPANY CODE	BUILDING / ZONE	LEVEL	CATEGORY	DRAWING No.	REVISION
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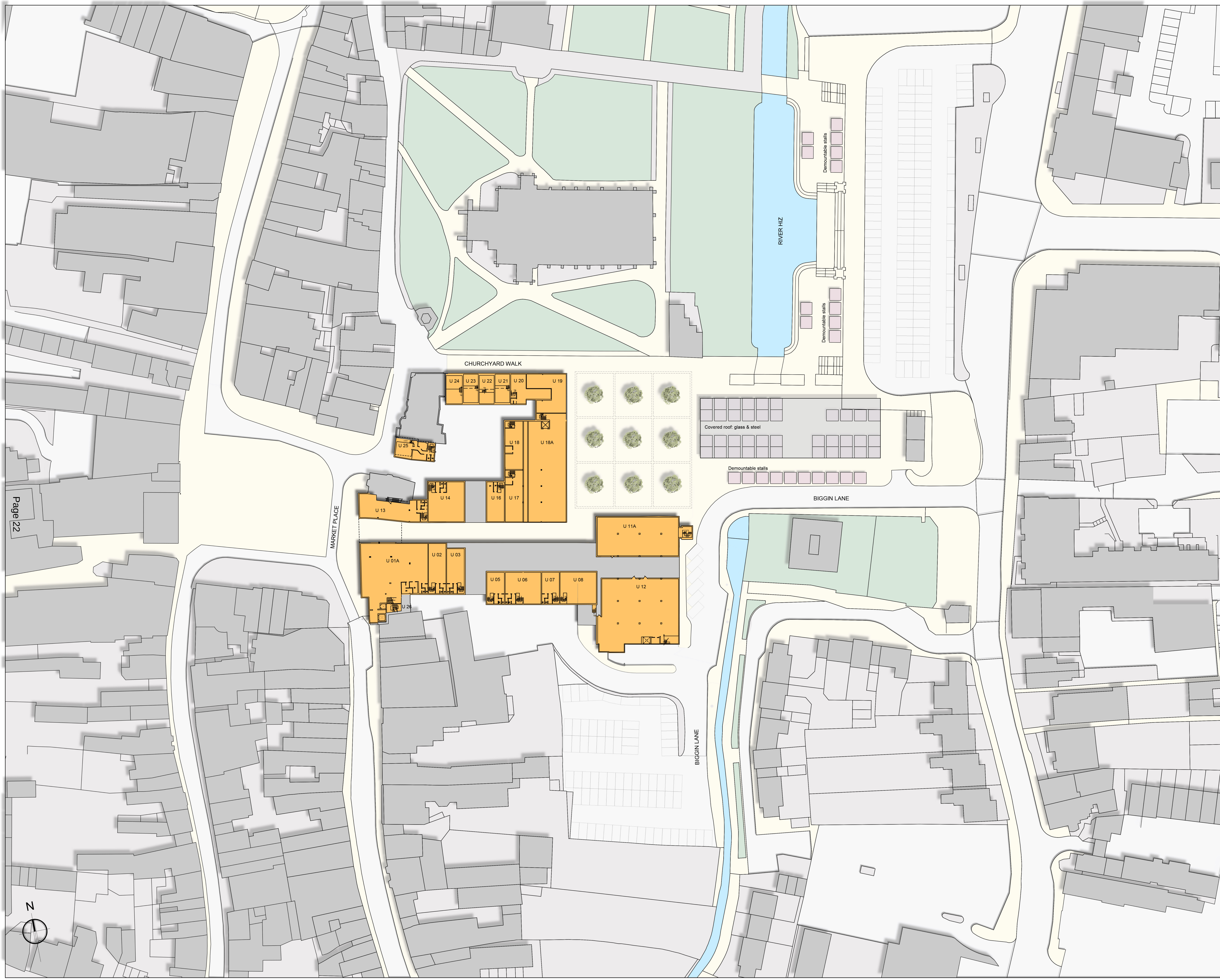

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DRAWING TITLE

SITE PLAN

First Floor Plan

JOB NUMBER	SCALE	DRAWN BY	FIRST ISSUE
	1:500@A1	AK	MAY 2016

PRELIMINARY

COMPANY CODE	BUILDING / ZONE	LEVEL	CATEGORY	DRAWING No.	REVISION
CTL	XX	X	(15)	02	00

COUNCIL
8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 7

TITLE OF REPORT: ITEM REFERRED FROM CABINET: 23 JANUARY 2018 – DRAFT REVENUE BUDGET 2018/19

The following is an extract from the Draft Minutes of the Cabinet meeting held on 23 January 2017.

83. DRAFT REVENUE BUDGET 2018/2019

The Executive Member for Finance and IT presented the report of the Head of Finance, Performance and Asset Management in respect of the Draft Revenue Budget 2018/2019. The following appendices were submitted with the report:

Appendix A – Budget Summary 2018/19 – 2012/22;
Appendix B – Revenue Efficiencies and Investment proposals; and
Appendix C – Budget Risks for 2018/19.

The Executive Member for Finance and IT advised that this was the final opportunity for the Cabinet to make recommendations to the budget and the underlying strategy before formal recommendation to Council.

The Executive Member for Finance and IT stated that, whilst Local Authorities had to operate in an environment where they had to show their auditors that they were operating a balanced budget on a year to year basis, they also had to consider the operation of their finances on a medium term basis. Hence, NHDC had a Medium Term Financial Strategy (MTFS) that set out he Council's approach for operating its finances over a five year period, and also why when presenting the proposed budget figures it tried to estimate the potential position of its funds over a similar period.

The Executive Member for Finance and IT commented that the impact of local government finance on NHDC was a matter of considerable uncertainty. It was not his intention to detail the very significant reductions in funding that the Council had dealt with over the last seven years, but he drew attention to Table 1 in the report which clearly showed that over the next two years NHDC faced a further reduction in funding of more than 40%.

The Executive Member for Finance and IT advised that it was a sad inevitability that the Council was now at the stage where it had to seriously consider cuts to the provision of front line services or find alternative ways to finance its operations. He found the whole concept of "negative" Revenue Support Grant (RSG) a total anathema. Whilst it might be appropriate for the Government to say that NHDC did not need general financial support, it could not be appropriate to require residents of North Hertfordshire to contribute to the provision of services in other Local Authorities. In this context, whilst he welcomed the Minister's budget announcement that the question of negative RSG would be examined, there was no certainty that there would be any significant changes.

In respect of the detail of the report, the Executive Member for Finance and IT commented as follows:

- Table 1 showed a 42% reduction in general Government funding (excluding specific grants to cover such matters as housing and Council tax benefit, which were detailed in Table2);
- There were still many hundreds of Business Rate appeals outstanding from the 2010 revaluation, and these would ripple through into the final 2017 revaluation exercise. Most of the top 10 businesses in North Hertfordshire had outstanding appeals. This made forecasting difficult. This was compounded by the uncertainty surrounding the proposed retention of business rates by local authorities;
- In respect of the Council Tax Collection Fund, he was pleased to report that the Council expected eventually to collect over 99% of all Council Tax due, and the in-year collection rates of over 98% placed the Council amongst the top preforming authorities in this field;
- The MTFS indicated that the Council would charge Council Tax at the maximum level to which the Government permitted without the need for a referendum. For 2018/19, he recommended a proposed increase of 2.99%, as detailed in Table 3;
- CIPFA guidance indicated a minimum of 5% of general expenditure as reserves, as set out in Table 5. Added to this would be the specific reserves that the Council made against certain risks, which were set out in Table 6 and in Appendix C to the report. He asked the Cabinet to note Risks FR23 and 24 in Appendix C, where the actual amounts and likelihood figures relating to planning functions had been increased, in order to allow the Council to operate effectively and protect the District and its environment;
- He therefore recommended that the General Fund minimum balance should be set at £2.15Million;
- Table 7 detailed the variances to the current budget at the end of November 2017, together with a forecast of the year end position. In respect of the Vacancy Control Target, he clarified that it was not the Council's intention to run 20 vacant posts, but rather that this figure mostly related to the time lag between losing staff and being able to replace them;
- Also in Table 7, he drew attention to the position on Area Committee Grants. If it was the case that the Council was receiving fewer grant applications then he was loathe to simply allow a carry over of the underspend in this area. If, however, it could be attributed to delays in actually accessing allocated amounts then this was a different matter. Following advice from the Head of Finance, performance and Asset Management, it was recommended that this matter be reviewed at the end of the current financial year;
- Table 8 detailed the savings items previously agreed by the Council and thus to recommend to Council that they be either reversed for the future or deferred for the time being. He recommended a further adjustment to this table regarding Efficiency E16 (Apprenticeship Scheme). Whilst it had previously been indicated that this Scheme was to be kept under review, he had been persuaded that that there were significant benefits to the Council in continuing to operate the scheme, and he therefore recommended that it was deleted as a saving going forward;
- In respect of the previously discussed efficiencies set out in Appendix B to the report, he had received many representations regarding Efficiency E9 (Cessation of Area Committee Grants) and the Finance, Audit and Risk Committee had made a recommendation in this regard. He reminded Members that the proposed savings on Area Committee operations had been deferred for a further year, as had consideration of a

local lottery, which might impact on Area Committee grant funding. He had come to the conclusion that it was probably most sensible to leave the existing mechanism in place, with revenue grants being dispersed through Area Committees. He therefore recommended a further amendment to the list of savings to amend E9 to show a 30% reduction in grants available to Area Committees for 2018/19;

- In respect of Efficiency E20 (Waste Contract Lot 2 Award), as it was confirmed that it was now expected that the savings attributable to this item would be zero, he recommended that the item be removed from the list; and
- The projected budget figure of £14.6Million in 2018/19 may need to be amended in the light of some of the aforementioned changes, and it was proposed that up to date figures would be available for consideration at the Council meeting on 8 February 2018.

Returning to the generality of the report, the Executive Member for Finance and IT explained that the figures in Appendix A to the report still showed a need for further budget savings to be identified by 2021/22. In the light of the relatively small amount, it could perhaps be argued that the level of proposed general reserves that the Council was carrying was not necessary. However, he had already referred to the general uncertainty surrounding Local Government finance and had alluded to the need for the Council to find new ways of financing its activities, such as commercialisation. He therefore perceived the need to be able to support such activities through their early years until they were able to deliver a regular income flow for the Council.

The Executive Member for Finance and IT felt that this further militated in favour of the proposed higher level of reserves that he was recommending. Even if he was wrong and the future was considerably more rosy than current expectations, he would much rather be in a position where the Council could revisit its funding needs because it had over-reserved, rather than be in a position where it had to take an axe to staff and services because the risks had been underestimated. The proposed level of reserves was still significantly below the maximum CIPFA recommended level.

The Cabinet supported the recommendations made by the Executive Member for Finance and IT.

RECOMMENDED TO COUNCIL:

(1) That the expected Central Government funding levels be noted;

(2) That the estimated position on the Collection Fund and how this will be funded be noted;

(3) That a 2.99% increase in Council Tax for 2018/19 be approved;

(4) That the position relating to the General Fund reserve be noted and, that due to the risks identified, a minimum balance of £2.15 million is recommended;

(5) That the reduction in the 2017/18 working budget of £682,000 be approved, and the expected impact in 2018/19 of a £82,000 reduction in budget be noted;

(6) That the requests for the carry-forward of budgets that total £198,000 from 2017/18 to 2018/19 be noted, subject to further review of the carry forward relating to Area Committee Budgets at the end of the 2017/18 Financial Year;

(7) That the inclusion of the efficiencies and investment proposals, as set out at Appendix 2 to the report, in the General Fund budget estimates for 2018/19 be approved, subject to the following amendments:

- Efficiency E9 (Cessation of Area Committee Grants) – amendment to show a 30% reduction in grants available to Area Committee;
- Efficiency E16 (Apprenticeship Scheme) – to be removed from the list of efficiency savings;
- Efficiency E20 (Waste Contract Lot 2 Award) – removal from the list for 2018/19 as it was expected that the savings attributable to this item would be zero;

(8) That the amendments to previously agreed efficiencies, as detailed in Paragraph 8.5.3 and Table 8 of the report, be approved;

(9) That the proposal that any revenue savings arising from the capitalisation of waste vehicle costs are transferred to a specific reserve be noted;

(10) That the savings targets for future years be noted; and

(11) That the estimated 2018/19 net expenditure of £14.6Million, as detailed in Appendix 1 to the report, as amended, be approved.

REASON FOR DECISION: To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2018/19; and to ensure that the Cabinet recommends a balanced budget to Council on 8 February 2018.

Postscript

The budget report considered by Cabinet at its meeting on 19 December 2017 (Minute 72) included a saving relating to the shared waste client team (paragraph 8.4.3). The value of the saving was not known at the time of the Budget Workshops so it was not presented at this time, and therefore was not included in the list of savings that was attached as Appendix B to the Cabinet report. The figures provided in the January report were updated to reflect this saving, but it was omitted from the updated list of savings (Appendix B) in error. As the saving was agreed by Cabinet at the December meeting, the Appendix B provided to Council has been updated to include it.

The following is the report considered by Cabinet at its meeting held on 23 January 2018 (Appendices A and B have been amended following the Cabinet meeting).

TITLE OF REPORT: DRAFT REVENUE BUDGET 2018/2019

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To consider the draft budget for 2018/19 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level. To recommend the appropriate level of Council Tax to the meeting of the Council on the 8 February 2018.

1.2 To consider the key factors, both of known and unknown amount, which could impact on NHDC finances within the period of the medium term financial strategy (2018-23).

2. RECOMMENDATIONS

2.1 That Cabinet notes the expected Central Government funding levels.

2.2 That Cabinet notes the estimated position on the Collection Fund and how this will be funded.

2.3 That Cabinet provides a view on the appropriate level of Council Tax for 2018/19.

2.4 That Cabinet notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.15 million is recommended.

2.5 That Cabinet approves the reduction in the 2017/18 working budget of £682k, and to note the expected impact in 2018/19 of a £82k reduction in budget.

2.6 That Cabinet notes and comments on the requests for the carry-forward of budgets that total £198k from 2017/18 to 2018/19.

2.7 That Cabinet approves the inclusion of the efficiencies and investment proposals at Appendix 2 in the General Fund budget estimates for 2018/19.

2.8 That Cabinet makes recommendations to Council on any changes to previous efficiencies.

2.9 That Cabinet notes the proposal that any revenue savings arising from the capitalisation of waste vehicle costs are transferred to a specific reserve.

2.10 That Cabinet notes the savings target in future years.

2.11 That Cabinet notes the estimated 2018/19 net expenditure of £14.6m, as detailed in appendix 1, and recommends this budget to Council.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2018/19.

3.2 To ensure that the Cabinet recommends a balanced budget to Council on 8 February 2018.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 During the Autumn, Political Groups were asked for savings ideas that they wanted Officers to investigate further. These have been combined with ideas generated by Officers. The total value of the ideas presented is less than the funding gap that needs to be met over 4 years. This means that currently there are not any alternative options available.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 All Councillors were given opportunity to comment on the efficiency and investment proposals at the Budget Workshops.

5.2 The Cabinet will consult on the proposals in this report with the Business Rate Payers Group in January 2018. This is the only statutory consultation that is required.

5.3 If any savings that have an impact on a specific area (or areas) will be referred to that Area Committee(s) during January. This is not considered to be the case for any savings included within the proposals.

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 28th July 2017.

7. BACKGROUND

7.1 The Medium Term Financial Strategy (MTFS), which provides the financial background to the Corporate Business Planning process for 2018-2023, was adopted by Full Council on the 31 August 2017 following recommendation by Cabinet.

7.2 The MTFS included a number of assumptions, which will be updated as better information becomes available. The final budget will still contain some assumptions, and this is why monitoring reports are provided to Cabinet on a quarterly basis.

7.3 In anticipation of the decline in future funding, NHDC has increased the level of general fund reserves. This allows for some cushioning in the delivery of savings.

7.4 Significant savings have been delivered in recent years, over £6 million since 2011/12. This means that the opportunity for savings from reducing resources and staffing levels is getting more limited. Instead the focus is now on service transformation, joint working, making best use of capital assets and justifying delivery of services above statutory levels.

7.5 NHDC's funding is split between revenue (i.e. the day-to-day running costs) and capital (i.e. creating and improving assets). The general rule is that capital funding can not be used for revenue expenditure. However in the 2015 Spending Review, the Chancellor announced the "flexible use of Capital Receipts direction". Subject to certain conditions this allows Local Authorities to use Capital Receipts to fund the revenue costs of reform projects.

8. RELEVANT CONSIDERATIONS

8.1 Central Government funding

8.1.1 On the 22 November 2017, the Chancellor made his Budget Statement. This Budget Statement, which has now moved to November, replaces the previous Autumn Statement. The Budget included an update on the current state of public finances and the latest economic forecasts.

8.1.2 The main change announced in the provisional settlement (announced on 19 December 2017) related to Council Tax flexibility (see 8.2.5 below).

8.1.3 It was also announced in the provisional settlement that there will be no changes to the way that New Homes Bonus is calculated for 2018/19. It was expected that there could either be a change in the baseline or that new homes built on appeal would be excluded from the bonus calculation. As a result the Council's provisional allocation for 2018/19 has been confirmed as £1.264 million.

8.1.4 Furthermore, it was announced that the Department for Communities and Local Government would look at "fair and affordable" options for dealing with negative Revenue Support Grant (RSG). There will be an announcement on this in the spring. The negative RSG is an additional amount of Business Rates that the Council has to pay to Central Government, and is currently expected to be £1.07 million in 2019/20. It is very unlikely that all negative RSG amounts could be eliminated and this could be made affordable for Central Government, so current prudent assumptions are that the negative RSG will continue.

8.1.5 The current estimates of non-specific Central Government funding are detailed in table 1 below. The amounts in relation to Business Rates in 2018/19 and 2019/20 are as per the DCLG Settlement Funding Assessment, and it is then assumed that they will increase by 3% per year in the following 2 years. New Homes Bonus has been confirmed for 2018/19 and is estimated for the following 3 years.

Table 1: Estimated Central Government Funding (All amounts in £ millions)

2017/18		2018/19	2019/20	2020/21	2021/22
0	Revenue Support Grant	0	(1,071)	(1,103)	(1,136)
140	Transitional Funding	0	0	0	0
2,557	Business Rates Baseline (share income less tariff)	2,622	2,680	2,761	2,844
2,697	**Funding Assessment**	**2,622**	**1,609**	**1,658**	**1,708**
1,992	New Homes Bonus	1,265	1,119	1,252	1,252
4,689	**Total non-specific funding**	**3,887**	**2,728**	**2,910**	**2,960**
	Change on previous year	(802)	(1,159)	182	50

8.1.6 Hertfordshire was unsuccessful in its application to become a Business Rates Pilot area for 2018/19. There may be an opportunity to apply again for 2019/20. Instead it is expected that North Hertfordshire will be part of a Hertfordshire Business Rates pool in 2018/19. This will be subject to a final assessment of the forecasts and risks across the applicant Authorities. As in previous years, whilst it is expected that there will be a financial benefit from being part of the pool, this will not be built in to the budget.

8.1.7 Cabinet is asked in Recommendation 2.1 to note the expected Central Government funding levels.

8.1.8 NHDC also receives grants for specific purposes. These grants are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so can not be used towards funding the base budget. However, as detailed in table 2 below, some of the amounts are uncertain. Therefore any reductions in the amounts received are likely to create a spending pressure that would need to be met from general base budget funding.

Table 2: Forecasts in relation to Specific Government Grants

	2017/18 amount £'000	**Expectation for 2018/19**
Housing Benefit Subsidy	33,361	Initial Estimate will be available late January 2018, so current budget level in 2018/19 will be based on the 2017/18 mid year estimate - £33,361k
Discretionary Housing Payments	283	Not expecting announcement until January 2018, however expectations are that the grant level will be similar to 2017/18 so £283k.
Benefits Administration and Fraud Initiative	513	The announcement for the grants will be made in December. However expectation is that there will be at least a 5% reduction in both, plus an additional adjustment for universal credit. Assume 5% reduction on 17/18 grant = £487k
Section 31 Grants to reimburse the impact of Business Rate reliefs and caps.	810	The amount received in 2018/19 will depend on the changes announced in the budget in November 2018. However expectation is that the level of grant will be similar to 2017/18. A second discretionary scheme has been set up to help mitigate the effects on businesses from the 2017 revaluation. The Council will receive £77,500 in S31 grant in 2018/19 for this scheme.
Waste minimisation – HCC contribution via the Alternate Financial Model.	391	While the total funding 'pot' is planned to reduce the actual AFM funding received depends on the annual recycling performance of NHDC relative to the corresponding performance of the other Hertfordshire waste collection authorities.
NNDR Administration Grant	184	Will not know the cost of collection until the NNDR1 is completed in January 2018. Assume similar level to 2017/18 of £180k.
Flexible homelessness support grant	124	Allocation of £141k

	2017/18 amount £'000	Expectation for 2018/19
Syrian refugee resettlement grant	125	Estimated to be £125k based on North Herts quota of 10 families per year. There is a set allocation per family member.
Homelessness Reduction Act - New Burdens Funding.	35	Allocation of £32k in 2018/19 (£37k in 2019/20)
Total Revenue Grants	**35,826**	

8.2 Council Tax and Business Rates

8.2.1 NHDC is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the NHDC General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the NHDC General Fund and other precepting bodies.

8.2.2 The total amount of Council Tax that is collected is dependent on the actual number of properties, eligibility for paying a reduced amount (Council Tax Reduction Scheme) and the success in collecting what is owed. The amount of Business Rates that are collected is dependent on the number and type of business premises in the area, the success in collecting what is owed, eligibility for relief and the number and value of successful appeals. Assumptions on these factors are made in forecasting the level of income from Council Tax and Business Rates in future years.

8.2.3 Current forecasts are that the Business Rates collection fund will have a deficit at the end of the year. This is due to the level of appeals and rate reliefs. NHDC will need to fund its share of the deficit. The section 31 grant that NHDC receives for business rate reliefs and caps will be used for this purpose (see table 2). It is expected that the Council Tax collection fund will have a small surplus.

8.2.4 **Cabinet is asked in recommendation 2.2 to note the estimated position on the Collection Fund and how this will be funded.**

8.2.5 The main change announced in the provisional settlement was to allow Councils to increase their Council Tax by an additional 1% without the need for a local referendum in 2018/19 and 2019/20. This means that NHDC can raise its portion of the Council Tax by up to 3% (i.e. 2.99%). The Medium Term Financial Strategy agreed by Council in August stated that "the Council will continue to raise Council Tax by as much as it is allowed to without triggering a local referendum". It is assumed that the maximum increase will revert to being 2% or £5 (band D equivalent) from 2020/21. The impact of this is shown in Table 3, along with a comparison with the previous assumption (i.e. a £5 increase in each year).

Table 3: Council Tax forecasts

2017/18		2018/19	2019/20	2020/21	2021/22
216.96	Band D Council Tax (£), increasing at 2.99% in 2018/19, and then £5 per year from 2019/20	223.45	230.13	235.13	240.13
	Increase as a %	2.99%	2.99%	2.17%	2.12%
48,649	Estimated Council Tax Base	49,119	49,610	50,106	50,607
	Increase as a %	1%	1%	1%	1%
10.555	Council Tax income to NHDC (£m)	10.976	11.417	11.782	12.152
216.96	Band D Council Tax (£), increasing at £5 per year	221.96	226.96	231.96	236.96
	Increase as a %	2.30%	2.25%	2.20%	2.16%
10.555	Council Tax income to NHDC (£m)	10.902	11.259	11.623	11.992
0	Additional Council Tax income (£000)	74	158	159	160

8.2.6 It should be noted that this only represents the District Council element of the Council Tax bill for households. Table 4 below shows the constituent elements of the 2017/18 Council Tax bill for a Band D property (excluding any Parish precept). The additional flexibility 1% also applies to County Councils, who can also increase their Social Care precept in line with previously announced limits. Police and Crime commissioners are able to increase their precept in 2018/19 by up to £12.

Table 4: Band D Council Tax 2017/18 (excluding Parish precepts)

	2017/18	Share of bill
	£	
District	216.96	13%
County Council	1,187.41	74%
County Council-Social Care Precept	58.42	4%
Police and Crime Commissioner	152.00	9%
Total	**1,614.79**	

8.2.7 Cabinet is asked in recommendation 2.3 to provide a view on the appropriate level of Council Tax for 2018/19.

8.3 Balances and Reserves

8.3.1 Before setting the budget, it is necessary to review the position of balances and reserves. This determines the extent to which the current budget can be supported by the use of reserves, or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, NHDC has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.

8.3.2 A full list of specific reserves and forecast balances is shown in table 5.

Table 5: Specific Reserves

	Balance at 1 April 2017 £000	**Forecast balance at 31 March 2018 £000**
Cemetery Mausoleum	129	129
Children's Services	8	8
Climate Change Grant	30	30
Community Development	1	0
Community Right to Bid	45	45
DCLG Grants	489	519
DWP Additional Grants	3	143
Environmental Warranty Reserve	209	209
Growth Area Fund	53	53
Homelessness	42	192
Housing Planning Delivery Reserve	368	367
Information Technology Reserve	82	82
Insurance Reserve	32	34
Leisure Management Reserve	89	89
Local Authority Mortgage Scheme	107	0
Museum Exhibits Reserve	13	13
Neighbourhood Plan Reserve	21	21
Office Move IT Works	7	7
Paintings Conservation	11	11
Personal Search Fees	161	159
Property Maintenance	67	77
Syrian Refugee Project	19	111
S106 Monitoring	68	190
Special Reserve	1,720	1,720
Street Furniture	10	14
Street Name Plates	38	17
Taxi Licences Reserve	13	13
Town Centre Maintenance	39	46
Town Wide Review	222	256
Waste Reserve	513	528
Total Specific Reserves	**4,609**	**5,083**

8.3.3 As at the 31 March 2017 there was a total of £966k held as provisions. These comprised of:

- Business Rates appeals- the NHDC share of outstanding business rates appeals. This makes up £928k of the total.
- Insurance- covers the uninsured aspect of outstanding insurance claims

8.3.4 NHDC operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £14.6 million, this means a minimum balance of about £730k. The minimum figure represents the cushion against totally unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure, according to risk likelihood.

8.3.5 An assessment of the risks has been compiled for the coming year based on risks identified by each Head of Service/ Corporate Manager and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 6 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix C.

Table 6: Budget risks 2017/18

Category	Number of risks	Forecast value of impact £000	Risk Allowance £000
High	10	1,780	890
Medium	26	2,135	534
Low	20	3,954	0
Total	**56**	**7,469**	**1,424**

8.3.6 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.15 million should be maintained.

8.3.7 Cabinet is asked in recommendation 2.4 to note the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.15 million is recommended.

8.4 Month 8 (November) Budget Review

8.4.1 A review of budgets as at the end of November has been carried out. Table 7 below provides explanations for the variances that are greater than £25k, as well as any budgets where there are carry-forward requests. All other variances are included within the 'other minor variances' line at the bottom of the table.

Table 7- Summary of forecast variances

Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
Investment Interest	(320)	(444)	(124)	The interest received from the Local Authority Mortgage Scheme was being held in a reserve in case of default. This will now be transferred to the General Fund and covered by a financial risk. Due to the reprogramming of capital schemes during the year, the balances available for investment in 2018/19 are expected to be higher and therefore additional investment interest income is anticipated.	0	(50)

Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
Apprenticeships	79	1	(78)	Of the total apprentice budget of £144k, £78k has not been allocated. This reflects changes being made to the scheme to make best use of the apprentice levy and facilitate career development within the scheme.	0	0
Vacancy Control Target Savings	258	(394)	(136)	Over achievement due to posts being vacant during the year, with 20 posts expected to be held vacant for the remainder of the year.	0	0
Off-street car parking- RingGo	(137)	(169)	(32)	This is part of an ongoing increase in the number of people using this facility. This amount is net of the transaction fee collected that the Council passes on to the supplier.	0	0
On-street parking- Penalty Control Notices	(350)	(392)	(42)	Increase in the number issued. This will partly be due to having lower staff vacancy levels.	0	0
Area Committee Grants	124	64	(60)	This forecast underspend is due to fewer grant applications than anticipated being received and also represents grants awarded but not yet released pending evidence of certain criteria being met. It is requested that this is carried forward in to 2018/19.	60	0
Planning Application Income	(807)	(944)	(137)	The progress of the Council's Local Plan through this financial year has resulted in an increase in planning applications.	0	0
Planning Income- transfer to reserve	0	137	137	Request to transfer the additional income above to a reserve. This will help cover the costs associated with challenges to other local authorities / organisations / bodies etc. e.g. Local Plans, policies/strategies/proposals etc., due to their impact upon the District.	0	0
Economic Development Officer	30	12	(18)	This is a joint post hosted by East Herts. As the post was not recruited to until November 2018, there is an underspend on the contribution for this year. There was also a carry-forward from 16/17 of £10k that has not been spent. It is requested that the total underspend of £18k is carried forward to 2018/19 to fund economic development initiatives.	18	0

Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
Community Infrastructure Levy	87	0	(87)	Request for £87k Community Infrastructure budget to be carried forward into 18/19 for the work to be undertaken, subject to Central Government changes to CIL, after the Local Plan process.	87	0
Housing Stock Condition Consultants	25	12	(13)	A project with HCC and all other districts/boroughs in the County to improve the energy efficiency of residents properties. It is likely this project will extend to a second year commencing in October 2017, so it is requested to carry forward the remaining £13k for the continuation of the project in 2018/19.	13	0
Housing- Social Provision	21	0	(21)	Budget was carried forward in 16/17 to assist with review of Housing Strategies. However new housing legislation will come into effect in April 2018, so the proposal has been made to delay this project until 2018/19, when the strategies can be reviewed to take into account the changes from the new legislation. So carry forward in to 2018/19 is requested.	21	0
Syrian Refugee Grant	0	(92)	(92)	£157k of grant income will be received, of which £65k is forecast to be spent supporting refugee families.	0	0
Syrian Refugee Grant- transfer to reserve	0	92	92	Request to transfer the unspent grant income above to a reserve. This will be used for future costs of supporting refugee families.	0	0
Flexible Homelessness Support Grant	0	(159)	(159)	Grant funding received from the DCLG to fund flexible homelessness support grant. The grant has been awarded to reflect changes that will be made on the 1st April 2018 by the introduction of the Homelessness Reduction Act. This will place additional responsibilities on housing authorities and grant funding has been awarded	0	0
Flexible Homelessness Support Grant- transfer to reserve	0	159	159	Request to transfer the grant income above to a reserve. This will be used. to fund additional resources to help manage higher demand levels from the public as a result of the Act.	0	0
Highways- contribution to reserve	13	0	(13)	Ongoing contribution in to the reserve is not required.	0	(13)

Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
Contaminated land consultants	10	0	(10)	The budget has not been spent for the last four years. Spend is dependant on relevant projects and staffing resources. The risk of any contaminated land works needing to be done in the future will be covered by a financial risk in the risk register.	0	(10)
Disabled Facilities Grant (DFGs)-Capitalisation of Salaries	(38)	(28)	10	DFGs are now delivered (from October 2017) by a county-wide Home Improvement Agency. The way that the service is now delivered means that there is no scope to capitalise staff costs against the grant, as had been possible in the past. The overall service cost is expected to decrease, so this would then increase the budget available for grants to households.	0	38
Total of explained variances	**(1,521)**	**(2,145)**	**(624)**		**199**	**(35)**
Other minor variances	18,620	18,560	(60)		0	(47)
Overall total	**17,099**	**16,415**	**(684)**		**199**	**(82)**

8.4.2 This has identified £682k of underspends against the working budget. Of this there are requests for £198k of this to be carried forward into 2018/19. This gives a net increase in the General Fund balance of £484k. The final column of the table above details the forecast impact on 2018/19, which is a £66k reduction in required budget.

8.4.3 Cabinet is asked in recommendation 2.5 to approve the reduction in the 2017/18 working budget of £682k, and to note the expected impact in 2018/19 of a £82k reduction in budget.

8.4.4 Cabinet is asked in recommendation 2.6 to note and comment on the requests for the carry-forward of budgets that total £198k from 2017/18 to 2018/19.

8.5 Savings and Investment Proposals

8.5.1 The Medium Term Financial Strategy highlighted the need to find at least 4.2 million of savings within 4 years. Furthermore, with the expected phasing of these savings, there would be a need to use £3.8 million of reserves.

8.5.2 Budget proposals were considered by Cabinet at the December meeting. To give the full context, these proposals included both savings and investment proposals. Those being taken forward are detailed in appendix 2.

8.5.3 At the meeting in December, Cabinet discussed the removal of the saving in relation to Four yearly District Council Elections (PE8) that had previously been agreed by Full Council. They also discussed deferring the following savings until 2019/20 that had been agreed by Full Council:

- NHDC Lottery (PE23).
- Replace Area Committees with a more informal alternative.

As these changes require Full Council approval to be changed they have not been reflected in the totals in Appendix A. The impact on the General Fund if they were agreed is shown in the table 8.

Table 8: Impact of proposed changes on the General Fund

Proposed Change	Impact in 2018/19 £000	Impact in 2019/20 £000	Impact in 2020/21 £000	Impact in 2021/22 £000
Four yearly District Council Elections (PE8) removal	0	-54	89	89
NHDC Lottery (PE23) deferred	65	15	0	0
Replace area committees (PE25) deferred	50	0	0	0
Increased General Fund Expenditure	**115**	**(39)**	**89**	**89**

8.5.4 Cabinet is asked at recommendation 2.7 to approve the inclusion of the efficiencies and investment proposals at Appendix 2 in the General Fund budget estimates for 2018/19.

8.5.5 Cabinet is asked at recommendation 2.8 to make recommendations to Council on any changes to previous efficiencies.

8.5.6 It is likely that an element of the waste contract should be treated as a capital cost. This relates to the Councils making substantial use of the vehicles that are embedded within the contract. Under accounting regulations there is a requirement for these costs to be capitalised, which means that they are funded from capital expenditure and there is therefore a corresponding decrease in revenue spend. Given the forecast shortage of capital funds in the future it is proposed that these savings are transferred to a specific reserve. This reserve can then be used to fund the purchase of vehicles when they next need to be replaced. This is expected to be in 7 years when these vehicles reach the end of their useful life. The information presented to budget workshops did not assume any revenue savings in respect of this.

8.5.7 Cabinet is asked at recommendation 2.9 to note the proposal that any revenue savings arising from the capitalisation of waste vehicle costs are transferred to a specific reserve.

8.5.8 The budget currently includes an allowance for pay inflation of 3% in 2018/19 and 2019/20. NHDC follows the National Joint Council pay negotiations. The employers have made an offer of 2% per year in 2018/19 and 2019/20. At this stage this has not been accepted by the Unions and therefore the budget has not been adjusted to reflect this. The current pay proposal does include higher increases for lower paid staff in order to comply with National Living Wage legislation and to maintain differentials across the pay scales (although this affects a relatively low number of Council employees). If the 2% offer was accepted then it would reduce forecast expenditure by over £200k by 2019/20.

8.6 Overall Summary

8.6.1 Appendix 1 provides a summary of the forecast General Fund impact of the factors referenced in the previous sections of this report. This includes increases in Council Tax of 2.99% in 2018/19 and 2019/20.

8.6.2 Appendix 1 also includes a forecast of the remaining savings that the Council still needs to deliver by 2021/22, which are expected to be around £150k. This amount could be significantly affected by a number of factors which include:

- Changes to the way New Homes Bonus is calculated in future years
- Changes to the Fair Funding Formula, which is currently being consulted on by the Department for Communities and Local Government, with any changes likely to be implemented from 2020/21.
- The successful delivery of the savings included within the budget forecasts.

8.6.3 Cabinet is asked at recommendation 2.10 to note the savings targets for future years.

8.6.4 Cabinet is asked at recommendation 2.11 to note the estimated 2018/19 net expenditure of £14.6m, as detailed in appendix 1, and recommends this budget to Council.

9. LEGAL IMPLICATIONS

9.1 The Cabinet has a responsibility to keep under review the budget of NHDC and any other matter having substantial implications for the financial resources of NHDC.

9.2 Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.

9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.

10. FINANCIAL IMPLICATIONS

10.1 As outlined in the body of the report.

11. RISK IMPLICATIONS

11.1 As outlined in the body of the report.

11.2 There are significant uncertainties and risks with regard to the funding of NHDC over the medium term. In particular in relation to potential changes to how the New Homes Bonus Scheme operates and the impact of future changes to the Fair Funding Formula.

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 proposals for efficiencies do not unduly impact any one individual group within our local community more than another. Any future budget proposals relating to the staff, their terms and conditions or future employment will need subject to individual equality analysis.

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 A number of efficiency proposals will directly affect staff. It is important that all affected staff are consulted at the earliest opportunity and council policies and procedures are followed.

15. APPENDICES

15.1 Appendix A – Budget Summary 2018/19 – 2021/22.
Appendix B – Revenue Efficiencies and Investment proposals.
Appendix C – Budget Risks for 2018/19.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Medium Term Financial Strategy 2018-23.

COUNCIL
8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 7A

ADDENDUM TO: ITEM REFERRED FROM CABINET: 23 JANUARY 2018 – DRAFT REVENUE BUDGET 2018/19

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1 EXECUTIVE SUMMARY

1.1 To inform Council of the precepts demanded by all the local precepting authorities in the District and the resulting total District Council Tax Requirement.

2 RECOMMENDATIONS

2.1 That Council notes the Parish and Town Council precepts of £1,095,531.

2.2 That Council notes that the total District Council Tax Requirement is £12,071,060 and approves this figure for inclusion in the Council Tax Resolution.

3 REASONS FOR RECOMMENDATIONS

3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2018/19.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 None.

5 CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 Parish and Town Councils were asked to provide notice of their precept requirements by the 19 January 2018 in order that there could be consideration of the total District Council Tax Requirement at this meeting.

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 28 July 2017.

7 BACKGROUND

7.1 The referral from Cabinet details the recommendation to increase Council Tax by 2.99% and the workings behind the North Hertfordshire District Council (NHDC) precept, for its own purposes, of £10,975,529.

8 RELEVANT CONSIDERATIONS

8.1 The Parish and Town Councils have provided notification of the precepts they wish to levy for 2018/19. It was agreed at the January meeting of this Council to distribute a total of £38,885 to the local precepting authorities as the amount of Council Tax Reduction Scheme Grant for 2018/19. This will be paid to each authority in addition to their precept demand, as detailed in table 1 below. The total precept demand of £1,095,531 will be levied on the relevant Council Tax base of the District.

Table 1 - Parish and Town Council Precepts for 2018/19

North Hertfordshire Parish & Town Councils	2018/19					2017/2018	
	Total Precept and Grant	CTRS Grant	Precept Demand		Band D Tax	Band D Tax	Change on Band D
	£	£	£		£	£	£
Ashwell	65,000.00	1,399.25	63,600.75	857.10	74.20	77.63	-3.43
Baldock	-	-	-	3,737.50	-	-	-
Barkway	36,720.00	532.97	36,187.03	377.80	95.78	95.67	0.11
Barley	22,000.00	569.22	21,430.78	324.20	66.10	66.39	-0.29
Bygrave	6,539.10	39.10	6,500.00	125.40	51.83	47.28	4.55
Caldecote and Newnham	1,500.00	114.63	1,385.37	49.50	27.99	28.57	-0.58
Clothall	2,000.00	138.59	1,861.41	81.40	22.87	23.35	-0.48
Codicote	107,530.00	3,238.92	104,291.08	1,629.10	64.02	64.09	-0.07
Graveley	6,642.40	642.40	6,000.00	172.20	34.84	32.31	2.53
Great Ashby	43,300.00	2,556.33	40,743.67	2,051.00	19.87	19.98	-0.11
Hexton	0.00	0.00	0.00	61.30	0.00	0.00	0.00
Hinxworth	10,370.00	109.47	10,260.53	160.20	64.05	64.37	-0.32
Hitchin	-	-	-	12,241.70	-	-	-
Holwell	8,352.00	444.76	7,907.24	148.40	53.28	54.68	-1.40
Ickleford	48,650.00	2,302.70	46,347.30	742.00	62.46	60.99	1.47
Kelshall	3,000.00	120.86	2,879.14	78.50	36.68	37.23	-0.55
Kimpton	73,754.91	1,754.91	72,000.00	1,057.90	68.06	69.55	-1.49
Kings Walden	29,236.56	888.90	28,347.66	417.00	67.98	67.98	0.00
Knebworth	148,000.00	3,236.75	144,763.25	1,971.30	73.44	73.28	0.16
Langley	0.00	0.00	0.00	82.50	0.00	0.00	0.00
Letchworth	-	-	-	11,526.90	-	-	-
Lilley	10,835.00	338.01	10,496.99	169.60	61.89	55.03	6.86
Nuthampstead	0.00	0.00	0.00	70.40	0.00	0.00	0.00
Offley	33,368.46	2,118.46	31,250.00	610.80	51.16	48.41	2.75
Pirton	36,000.00	672.15	35,327.85	550.70	64.15	59.77	4.38
Preston	6,400.00	197.65	6,202.35	215.70	28.75	25.40	3.35
Radwell	1,080.00	169.26	910.74	55.50	16.41	16.41	0.00

Reed	4,180.00	164.86	4,015.14	157.50	25.49	27.61	-2.12
Royston	283,609.25	11,339.25	272,270.00	6,402.00	42.53	42.53	0.00
Rushden and Wallington	4,300.00	130.39	4,169.61	201.60	20.68	20.06	0.62
St Ippolyts	25,000.00	1,464.88	23,535.12	897.30	26.23	25.82	0.41
St Pauls Walden	50,718.11	1,408.11	49,310.00	546.00	90.31	74.59	15.72
Sandon	8,200.00	517.41	7,682.59	235.80	32.58	30.55	2.03
Therfield	5,790.00	354.04	5,435.96	253.20	21.47	21.73	-0.26
Weston	20,000.00	793.06	19,206.94	441.00	43.55	44.13	-0.58
Wymondley	32,340.00	1,127.70	31,212.30	418.50	74.58	71.75	2.83
TOTAL	**1,134,415.79**	**38,884.99**	**1,095,530.80**	**49,118.50**	**-**	**-**	**-**

9 LEGAL IMPLICATIONS

9.1 The provision for the Authority to levy and collect a Council tax is provided in section 30 of the Local Government Finance Act 1992 (Aggregating Billing Authority and Preceptors Council Tax Charges).

9.2 The principles for referendums relating to Council Tax increases were announced in the provisional Local Government finance settlement on 19th December 2017 and do not apply to the local precepting authorities.

9.3 Council is asked to note the precepts and approve the total District Council Tax Requirement for inclusion in the Council Tax resolution. It is the responsibility of the Council Tax Setting Committee to set the Council Tax Base and set the Council Tax in accordance with the relevant legislation (see paragraph 10.2 of the Council’s Constitution).

10 FINANCIAL IMPLICATIONS

10.1 We are required to calculate and include in the formal council tax resolution the District Council Tax requirement, which comprises the District Council’s budget requirement and that of any parishes in the area. This figure is then combined with the precept requirements from the major precepting bodies, Hertfordshire County Council and Hertfordshire Police and Crime Commissioner, to arrive at the total Council Tax amount due.

10.2 The approval of the formal Council Tax resolution by the Council Tax Setting Committee is scheduled to take place on the 28 February 2018 and will authorise the Council Tax billing of the residents of North Hertfordshire for financial year 2018/19.

11 RISK IMPLICATIONS

11.1 The risk of non-collection of Council Tax is monitored in the Collection Fund. The tax base calculations have assumed a non-collection rate of 1%.

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 review and setting of Council Tax is a statutory responsibility of this Council. A balance must be considered and demonstrated by the Council when setting the level of Council Tax and any rise or fall in tax. This said balance is between the ability of the individual residents' to pay the required Council Tax and the Council's need to have sufficient base budget to deliver key services across the District. The recommendation to provide a grant of approximately £39,000 to the District's Town and Parish Councils will mitigate the impact of the Council Tax Reduction Scheme. This action reflects some of the considerations made in reaching this balance.

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.

15 APPENDICES

15.1 None.

16 CONTACT OFFICERS

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Appendix A - General Fund Estimates for 2018/19 to 2021/22 (2.99% Council Tax increase in 2018/19 and 2019/20)

All amounts £000	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Net expenditure brought forward	16,354	14,633	14,553	14,900
Savings previously identified (excluding Waste savings)	-378	-9	-98	0
New savings proposals	-2,301	-430	-61	-50
Adjustments reported after 2017/18 budget was set	-97	-98	-64	-10
Pay inflation and increments	464	375	250	250
Contractual inflation	444	420	430	430
Income inflation	-332	-289	-261	-275
Pension scheme contribution increases	134	0	0	0
Investment budget	147	150	150	150
2017/18 Budgets Carried Forward	199	-199	0	0
Further savings tbc	0	0	0	-150
Total net expenditure (excluding Housing Benefit subsidy)	**14,633**	**14,553**	**14,900**	**15,245**
Council Tax	-10,976	-11,417	-11,781	-12,152
Revenue Support Grant	0	1,071	1,103	1,136
Business Rates- including tariff adjustment	-2,622	-2,680	-2,761	-2,844
New Homes Bonus	-1,265	-1,119	-1,252	-1,252
Other	39	24	24	24
Net funding position (use of reserves)	**-191**	**432**	**232**	**157**

General Fund b/f	7,025	7,216	6,784	6,552
General Fund c/f	7,216	6,784	6,552	6,395

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Ref No	Service	Description of Proposal	Efficiency	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Corresponding Investment Required	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
E1	Rev and Bens - admin	Restructure of Revenues team. The use of technology means that the service can absorb these changes with no impact on service delivery.	**Expenditure reduction**	- 55	- 61	- 67	- 67	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 55	- 61	- 67	- 67	**Total**	-	-	-	-
E3	Housing and Public Protection	Introduction of Fixed Penalty Notices (FPNs) in connection with fly-tipping offences. Legislation permits the Council to use FPNs as an alternative means of dealing with fly-tipping offences. Unlike fines imposed by the courts, the income arising from these FPNs can be retained by the Council. It is proposed that FPNs be used; in connection with first time offenders; where the volume of waste deposited is relatively limited; where the waste is non-toxic; where the offender is not acting for personal or corporate financial gain.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 1	- 1	- 1	- 1	**Revenue**	-	-	-	-
			Total	- 1	- 1	- 1	- 1	**Total**	-	-	-	-
E4	Housing and Public Protection	Introduction of a range of charges in connection with the local licensing function. Introduction of charges for: - Classification of films - Non-attendance of applicants to taxi testing appointments - Provision of pre-application advice	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 2	- 2	- 2	- 2	**Revenue**	-	-	-	-
			Total	- 2	- 2	- 2	- 2	**Total**	-	-	-	-
E5	Planning	Increase in planning activity and planning application income following the approval of the Local Plan. Additional income estimate is inclusive of the expectation of an increase in income from pre-application planning advice (£17k) and an increase in planning application discharge of conditions income (£5k).	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 72	- 72	- 72	- 72	**Revenue**	-	-	-	-
			Total	- 72	- 72	- 72	- 72	**Total**	-	-	-	-
E6	Planning	Increase in planning fees as a result of expected changes to legislation. Whilst this is an increase in income, the planning service is still a net cost to the Council and it is anticipated that meeting the need for enforcement and monitoring of the new sites in the Local Plan will require additional resource in the coming years.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 140	- 140	- 140	- 140	**Revenue**	-	-	-	-
			Total	- 140	- 140	- 140	- 140	**Total**	-	-	-	-
E7	Green Space (Green Space Strategy & Grounds Maintenance)	Removal of the small scale grounds maintenance provision from the Parks & Countryside Development budget. Historically this revenue budget has been used for smaller green space improvement proposals. All planned improvements to green space were identified in the adopted 2017-2021 Green Space Strategy and are now included in the capital programme.	**Expenditure reduction**	- 30	- 30	- 30	- 30	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 30	- 30	- 30	- 30	**Total**	-	-	-	-
E8	Community Services	Reduction in repairs & maintenance budgets for community facilities following the change in management of Community Centres to full repairing lease arrangements. The management of the following centres has now transferred to community groups under full repairing leases; - Grange, Jackmans, Westmill, Burns Road, Grange Youth Centre The estimated efficiency value also assumes that leases will be signed for two further centres by April 2018; - Walsworth, St Michael's Mount	**Expenditure reduction**	- 26	- 26	- 26	- 26	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 26	- 26	- 26	- 26	**Total**	-	-	-	-
E9	Community Services	Reduction in Area Committee Grants. 30% reduction of the current budget, which leaves £52k remaining.	**Expenditure reduction**	- 22	- 22	- 22	- 22	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 22	- 22	- 22	- 22	**Total**	-	-	-	-
E10	Finance, Performance & Asset Management	Reduction in the number of audit days delivered by the Shared Internal Audit Service. Proposed to reduce from current 400 days in 2017/18 to 360 days in 2018/19, 320 days in 2019/20 and 300 days from 2020/21 onwards. External Audit no longer place reliance on the work of Internal Audit in respect of key financial systems, hence the substantive testing element of this work is no longer required. The Council generally have good controls and therefore there is scope to reduce the time spent on service audits and still retain capacity to target any identified risk areas. The Audit Manager has advised that at 300 days, SIAS would still expect to be able to provide their annual assurance.	**Expenditure reduction**	- 10	- 20	- 25	- 25	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 10	- 20	- 25	- 25	**Total**	-	-	-	-
E12	Finance, Performance & Asset Management	Replacement of existing Asset Management System. Procurement and installation of new Asset Management system will reduce existing annual licensing costs from £9k to £1k.	**Expenditure reduction**	- 8	- 8	- 8	- 8	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 8	- 8	- 8	- 8	**Total**	-	-	-	-

				Efficiency				Corresponding Investment Required				
Ref No	Service	Description of Proposal		2018/19	2019/20	2020/21	2021/22		2018/19	2019/20	2020/21	2021/22
				£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
E13	Various	Budget scrutiny savings: savings identified from the review of existing base budgets.	**Expenditure reduction**	- 30	- 30	- 30	- 30	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 30	- 30	- 30	- 30	**Total**	-	-	-	-
E14	Burials	Provision of a Crematorium at Wilbury Hills. Delivery of the crematorium and any revenue efficiency is dependent on a successful planning application. Following consultation, and subject to gaining Cabinet approval, an application for outline planning permission is anticipated to be submitted by the end of the calendar year. The estimated efficiency value is based on the proposed terms of the lease, with NHDC receiving an annual base rent of £10k (indexed annually by RPI) plus a percentage (up to a maximum of 10%) of the turnover generated from the Crematorium. The eligible percentage of turnover would be linked to the number of cremations that take place over a 12 month period.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	-	-	- 50	- 100	**Revenue**	-	-	-	-
			Total	-	-	- 50	- 100	**Total**	-	-	-	-
E15	Finance, Performance & Asset Management	Centralisation of property repairs and maintenance budgets. Centralisation of these budgets will facilitate more effective planning and prioritisation of maintenance work.	**Expenditure reduction**	-	- 20	- 20	- 20	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	-	- 20	- 20	- 20	**Total**	-	-	-	-
E17	Finance, Performance & Asset Management	In-house management of all treasury funds. The authority currently makes available for investment to a cash manager those funds over and above those required to meet the day to day cash commitments of the Council. In return the cash manager charges a fee for each investment placed equivalent to a set percentage of the interest returned. By managing all funds in-house, the Council would not incur these fees. Whilst it is expected that the budget provision required would reduce over time in any case, as cash balances reduce, this is not assumed in the future year budget estimates hence the efficiency value is the same in each year.	**Expenditure reduction**	- 18	- 18	- 18	- 18	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 18	- 18	- 18	- 18	**Total**	-	-	-	-
E18	Accountancy Services	Restructure of Accounts team. The increased level of automation in the preparation of budget estimates and financial statements, combined with the management decision to cease the processing of support service recharges in 2018/19, will help to reduce the pressure on the team's capacity going forward. The imminent roll-out of the upgrade to the financial system is also expected to further enhance efficiency in the undertaking of finance related activities.	**Expenditure reduction**	- 48	- 48	- 48	- 48	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 48	- 48	- 48	- 48	**Total**	-	-	-	-
E19	Waste Contract- Lot 1 award	Reduction in cost for waste collection and street cleansing arising from the retendering of the service. This is for a service that is broadly in line with the current service.	**Expenditure reduction**	-1,701	- 1,904	- 1,904	- 1,904	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 1,701	- 1,904	- 1,904	- 1,904	**Total**	-	-	-	-

Ref No	Service	Description of Proposal		Efficiency 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Corresponding Investment Required	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
E21	Waste Contract- Garden Waste charging	The expected net impact of introducing garden waste charging, at £40 with a 26% take-up. Overall 26% of the residents that responded to the consultation said they would be likely to use a paid for garden waste service. Assumes a 50% take-up of an early-bird discount in the first year.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	-78	-209	-209	-209	**Revenue**	-	-	-	-
			Total	-78	-209	-209	-209	**Total**	-	-	-	-
E22	Waste Contract- Client Team	Savings in staffing costs from a joint waste client team with East Herts Council.	**Expenditure reduction**	-60	-120	-120	-120	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	-60	-120	-120	-120	**Total**	-	-	-	-
Total Net Budget Reduction			**Total Expenditure reduction**	**-2,008**	**-2,307**	**-2,318**	**-2,318**	**Total Capital**	**-**	**-**	**-**	**-**
			Total Additional Income	**-293**	**-424**	**-474**	**-524**	**Total Revenue**	**-**	**-**	**-**	**-**
			Total Efficiencies	**-2,301**	**-2,731**	**-2,792**	**-2,842**	**Total Investment**	**-**	**-**	**-**	**-**

Proposed Revenue Investments

Ref No	Service	Description of Proposal		Investment 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation etc.)
R1	ICT	Cyber Attacks - Event Monitoring Software Solution	**Revenue Investment**	6	6	6	6	This software solution is required to be in place for NHDC to retain its PSN Accreditation and all external links to the DWP and other government (.gov) websites.
R2	ICT	Cadcorp Local Knowledge & Notice Board Software Solution	**Revenue Investment**	1	1	1	1	To enhance the Council's channel migration programme, this software will enable current GIS Data to be extracted and populated into the NHDC Web Services so searches for My Councillor, Waste Collections, Listed Buildings, Planning Applications etc... can all be found in one place.
R3	Planning Services	Planning Resource Review	**Revenue Investment**	140	140	140	140	Review of resources required as the Local Plan progresses has identified that the budget provision for the Planinng Service will need to increase and it is proposed that the anticipated 20% increase in fees is used to meet the additional costs.
			Total Revenue Investments	**147**	**147**	**147**	**147**	

Grand Total Net Revenue Impact (all above)	**Total Net impact**	**-2,154**	**-2,584**	**-2,645**	**-2,695**

Efficiencies earmarked in 2018/19 (and/or beyond) resulting from previous decisions- excluding waste contract (superceded)

	Service	Description of Proposal		Efficiency 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Corresponding Investment Required	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
PE7	Property Services	Floor Space in DCO Net savings of £20k are expected to be achieved by moving Careline from Harkness Court to the DCO. This also provides for potential further income in relation to renovating in to 2 flats and letting these through the Property Company. There will still be available office space to let out at the DCO, which as well as letting income could also provide parking and ancilary (e.g. IT) service income. There could also be income from room hire.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	-50	-50	-50	-50	**Revenue**	-	-	-	-
			Total	-50	-50	-50	-50	**Total**	-	-	-	-
PE8	Democratic Services	Whole Council elections as opposed to the current arrangement of elections by thirds. Such a proposal cannot be implemented in a year where there are County Council elections. The existing budget has provision of £89k for a one third District Council (DC) election for those financial years where a DC election is scheduled to take place. Efficiency value assumes a whole district council election in May 2019, joining the majority of district councils conducting whole council elections in this year. The estimated £143,000 budget required for a standalone election would need to be reinstated for the year of the next election (2023/24) and every fourth year thereafter.	**Expenditure reduction**	-	-	-89	-89	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	54	-	-
			Total	-	-	-89	-89	**Total**	-	54	-	-
		Rationalisation of playgrounds following the Green Space Strategy Review and the adoption of the Green Space Strategy 2017-21. Play areas identified in the	**Expenditure reduction**	-29	-29	-29	-29	**Capital**	130	-	-	-

Ref No	Service	Description of Proposal	Efficiency					Corresponding Investment Required				
				2018/19	2019/20	2020/21	2021/22		2018/19	2019/20	2020/21	2021/22
				£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
PE11	Green Space (Green Space Strategy & Grounds Maintenance)	review as less used that are not transferred to a third party by March 2018 will have equipment removed and be managed as green space. The revenue expenditure reduction value is based on the transfer or removal of 13 of the existing 47 play areas. Annual cost saving achieved would be subject to negotiations with the contractor. Cost of decommissioning is expected to be funded from capital resource under the flexible use of capital receipts direction.	**Additional Income**	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 29	- 29	- 29	- 29	**Total**	130	-	-	-
PE12	Green Space (Green Space Strategy & Grounds Maintenance)	Rationalisation of football pavilions following the Green Space Strategy Review and the adoption of the Green Space Strategy 2017-21. Expenditure reduction value represents the reduction in maintenance costs based on the option to retain the football pavilions at Grange, Ransoms and Swinburn and to transfer the remaining four pavilions at Cadwell Lane, St Johns, Walsworth and Bakers Close. These four pavilions will be demolished and returned to green space if not transferred to a third party by March 2018. Further revenue efficiencies could be achieved if Section 106 capital money can be secured for a new Walsworth pavilion (only the Grange and Walsworth would then be retained). Cost of decommissioning is expected to be funded from capital resource under the flexible use of capital receipts direction.	**Expenditure reduction**	- 8	- 8	- 8	- 8	**Capital**	120	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 8	- 8	- 8	- 8	**Total**	120	-	-	-
PE13	Planning	Increase in planning activity and planning application income following the approval of the Local Plan, which is to be submitted in early 2017. Meeting the need for enforcement and monitoring of the new sites in the Local Plan may however require some additional staffing resource in the coming years. This will be kept under review.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 50	- 50	- 50	- 50	**Revenue**	-	-	-	-
			Total	- 50	- 50	- 50	- 50	**Total**	-	-	-	-

Ref No	Service	Description of Proposal		Efficiency					Corresponding Investment Required			
				2018/19	2019/20	2020/21	2021/22		2018/19	2019/20	2020/21	2021/22
				£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
PE15	Corporate	Corporate restructure: annual staff salary cost saving from phase 2 of the restructure.	**Expenditure reduction**	- 200	- 200	- 200	- 200	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 200	- 200	- 200	- 200	**Total**	-	-	-	-
PE23	Finance, Performance & Asset Management	The launch of an NHDC Lottery. Efficiency values are based on activity generated by the Aylesbury Vale lottery and assume 60% of the value of the tickets sold at £1 can be directed to fund activities in the NHDC area. Revenue generated could therefore be used to fund area grant awards.	**Expenditure reduction**	-	-	-	-	**Capital**	-	-	-	-
			Additional Income	- 15	- 15	- 15	- 15	**Revenue**	-	-	-	-
			Total	- 15	- 15	- 15	- 15	**Total**	-	-	-	-
PE25	Policy & Community Services	Replace area committees with a more informal alternative. The amount of saving of the direct administration cost of supporting Area Committees could be in the region of £50k, but would be dependent on the format and frequency of any alternative.	**Expenditure reduction**	- 50	- 50	- 50	- 50	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 50	- 50	- 50	- 50	**Total**	-	-	-	-

Ref No	Service	Description of Proposal	Efficiency	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Corresponding Investment Required	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
PE26	Policy & Community Services	Cease MOU and contractual payments to identified Community Groups. Payments ceasing in 2017/18: Herts & Middlesex Wildlife Trust, Relate, Area Rape Crisis Line. Phased reduction in payments to Town Centre Partnerships: Royston (ceasing March 2018) and Baldock (ceasing March 2020) Reduction over a 3 year term from 2017/18 (ceasing March 2020): Hitchin British Schools Museum, North Herts Arts Council, Sports North Herts and Stevenage & North Herts Womens Resource Centre	**Expenditure reduction**	- 12	- 21	- 30	- 30	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	-	-	-	-
			Total	- 12	- 21	- 30	- 30	**Total**	-	-	-	-
PE29	IT	Provision of paperless reporting. Printing and delivery of meeting papers to Councillors and Senior Officers in 2015/16 cost 14K in paper, ink and secure delivery fees. Level of initial expenditure outlay in purchasing tablets (est. £350 per tablet inc. keyboard and data security software) and corresponding efficiency would be dependent on the level of take-up by Councillors. Additional charges are still to be established around the purchase and support and maintenance of the application system that will deliver this.	**Expenditure reduction**	- 14	- 14	- 14	- 14	**Capital**	-	-	-	-
			Additional Income	-	-	-	-	**Revenue**	tbc	tbc	tbc	tbc
			Total	- 14	- 14	- 14	- 14	**Total**	-	-	-	-
Total Net Budget Reduction			**Total Expenditure reduction**	**- 313**	**- 322**	**- 420**	**- 420**	**Total Capital**	**250**	**-**	**-**	**-**
			Total Additional Income	**- 65**	**- 65**	**- 65**	**- 65**	**Total Revenue**	**-**	**54**	**-**	**-**
			Total Efficiencies	**- 378**	**- 387**	**- 485**	**- 485**	**Total Investment**	**250**	**54**	**-**	**-**

Financial Risks 2018/19

Service	Financial Risk Ref. No.	Risk	Risk Reg no	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Legal Services	FR1	Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	RR508	M	85,000	25%	21,250
	FR2	Legal expertise related to employment cases	RR508	M	50,000	25%	12,500
	FR3	The Council is required to meet the cost of any award from new or ongoing judicial reviews.		M	30,000	25%	7,500
	FR4	Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	RR530	H	100,000	50%	50,000
	FR5	Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping or benefit fraud		M	50,000	25%	12,500
Housing & Public Protection	FR6	Lack of resilience in delivering key statutory services when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, etc.	RR534	H	20,000	50%	10,000
	FR7	Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	RR467.001	H	50,000	50%	25,000
	FR8	The payment of compensation to Careline's corporate or retail customers arising from a service interruption.	RR466	M	10,000	25%	2,500
	FR9	Termination of North Hertfordshire Housing Partnership and end of shared policy/software arrangements with North Herts Homes.	RR543	L	20,000	0%	0
	FR10	Usage of bed and breakfast accommodation for homeless households.	TR60	M	180,000	25%	45,000
	FR11	Domestic Homicide Review – additional resources in relation to Domestic Homicide Reviews and other partnership requirements	RR475	L	15,000	0%	0
	FR12	External challenge to review of licensing fee structure.	RR525	M	40,000	25%	10,000
Development, Building Control & Strategic Planning	FR13	Costs associated with receipt of a 'hostile' planning application	TR54	L	50,000	0%	0
	FR14	Development & implementation of Town Centre Strategies (additional consultancy support to implement Town Centre Strategies e.g. Hitchin)	RR517	L	50,000	0%	0
	FR15	Vehicle Parking Town-wide Reviews: displacement issues following implementation of approved schemes may require further TRO's	RR468	L	30,000	0%	0
	FR16	Dangerous structures - additional costs to the Authority from either increase in numbers of dangerous structure cases or particularly severe cases. The risk covers staff time and the cost to make the structure safe. Costs may not be recoverable within the same financial year or not all, e.g. due to the owner declaring bankruptcy.	RR364	M	50,000	25%	12,500
	FR17	Specialist advice with regard to potential planning applications (e.g. town centre schemes)	RR517	M	50,000	25%	12,500
	FR18	Costs associated with challenges / work, to and in connection with, other authorities / organisations / bodies etc. plans, policies/strategies/proposals etc., due to their impact upon the District	TR52.002	H	250,000	50%	125,000
	FR19	Planning and building control applications – costs associated with an appeal, public inquiry, Secretary of State call in, judicial review or other challenge against the Council's decision.	RR398	H	500,000	50%	250,000
	FR20	Enforcement – costs in relation to the enforcement of planning enforcement notices through legal /direct action or appeal processes.	RR398	M	100,000	25%	25,000
	FR21	Changes to government policy relating to planning e.g.: impact of Housing & Planning Act, Neighbourhood Planning Bill etc…	TR52.001	L	25,000	0%	0
	FR22	Neighbourhood Planning: costs of consultants, consultation, examination and referendum incurred in the production of Neighbourhood Development Plans.	TR52.001	H	60,000	50%	30,000
	FR23	Local Plan: additional costs associated with progressing the Local Plan.	TR54	H	500,000	50%	250,000
	FR24	Local Plan: costs associated with a challenge to the Local Plan either from the Council or another stakeholder/authority	TR54	M	300,000	25%	75,000
Cultural Services	FR25	Further delay to the opening of the North Herts Museum and Cafe due to unanticipated incidents hinders the achievement of the operating surplus anticipated from the Community facility.	TR39	M	100,000	25%	25,000
	FR26	Net cost of operating the Hitchin Town Hall Cafe is greater than previously indicated to cabinet in July 2015 due to greater than estimated running costs or lower than anticipated demand.	TR39	M	70,000	25%	17,500
Leisure & Environment	FR27	The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	RR530	L	300,000	0%	0
	FR30	Unforeseen issues arising relating to the mobilisation of the new Waste, Recycling and Street Cleansing contract require additional staffing resource to resolve.		M	100,000	25%	25,000
	FR31	Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	TR59.007	H	50,000	50%	25,000
	FR32	Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	RR320	L	50,000	0%	0
	FR33	Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	RR479	L	100,000	0%	0
	FR34	Cost of felling and destroying trees as a result of tree disease	RR099.002	M	75,000	25%	18,750
	FR35	Theft of or damage to parking pay & display equipment	RR308	M	20,000	25%	5,000

Known Financial Risks for 2018/19

Service	Financial Risk Ref. No.	Risk	Risk Reg no	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Finance, Performance and Asset Management	FR36	Achievement of vacancy control target of £200K in light of reduced staff levels and turnover, and the risk of cross-over with the saving from the Corporate restructure	TR08	M	200,000	25%	50,000
	FR37	Adverse possession of land/buildings. (litigation costs)Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	RR049	M	35,000	25%	8,750
	FR38	Contamination clear-up costs for disposal/vacant sites	RR481	L	100,000	0%	0
	FR39	Breach of partial-exemption calculation for VAT	RR527	L	300,000	0%	0
	FR40	Travellers eviction and clear-up costs	RR383	M	20,000	25%	5,000
	FR41	Exceptional repairs and maintenance required for Council properties	RR500	L	50,000	0%	0
	FR42	An emergency in the District leading to a shortfall in Belwin Funding and any costs from calling in support from our external contractors	RR553	L	40,000	0%	0
	FR43	The Council is obliged to make compensation payments to affected parties under the Assets of Community Value legislation.	RR512	L	20,000	0%	0
	FR44	Localisation of Business Rates – The council is now directly exposed to a range of risks, including: impact of levy, assumed rates of growth, safety net.	TR08	M	200,000	25%	50,000
	FR45	Member/Officer Indemnity Agreement is called upon		L	100,000	0%	0
	FR46	Further levy is charged through the MMI Scheme of Arrangement	RR271	M	20,000	25%	5,000
	FR47	Treasury Management - potential default by a counter party	RR448	L	1,000,000	0%	0
	FR48	Difficulty in recruiting Facilities Assistants results in higher expenditure on agency staff		M	15,000	25%	3,750
	FR49	Indemnity provided by the Council is called upon by lenders following default(s) on mortgage(s) secured through the local authority mortgage scheme.		L	1,000,000	0%	
	FR50	Cost of energy efficiency improvements required to lower energy rated properties in order to comply with the minimum energy efficiency standards introduced by government legislation. The regulations will come into force for new lets and renewals of tenancies with effect from 1st April 2018 and for all existing tenancies on 1st April 2020.		M	50,000	25%	12,500
Revenues, Benefits and IT	FR51	Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	RR304	L	500,000	0%	0
	FR52	Failure to hit target on collecting summons's costs	TR08	M	15,000	25%	3,750
	FR53	Bad Debt Provision may need to increase in light of changes to housing benefits, the Business Rates scheme, Council Tax Reduction Scheme and the general economic downturn.	RR516	M	70,000	25%	17,500
	FR54	Ransomware attack results in the write-off of IT hardware and infrastructure.	TR62	L	200,000	0%	0
Democratic Services	FR55	District by-election		L	4,000	0%	0
Human Resources	FR56	Employment related risks related to outsourcing, shared services and restructuring	RR248	H	150,000	50%	75,000
	FR57	Additional salary costs following the pay and job evaluation of the new Service Director posts introduced as part of the senior management restructure.	TR07	H	100,000	50%	50,000
	FR58	Unanticipated additional costs or delay in implementation of phase 2 of the corporate restructure.	TR07	M	200,000	25%	50,000
					7,869,000		**1,423,750**

COUNCIL
8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 8

TITLE OF REPORT: ITEM REFERRED FROM CABINET: 23 JANUARY 2018 – CAPITAL PROGRAMME 2018/19 ONWARDS

The following is an extract from the Draft Minutes of the Cabinet meeting held on 23 January 2018.

84. CAPITAL PROGRAMME 2018/19 ONWARDS

The Executive Member for Finance and IT presented a report of the Head of Finance, Performance and Asset Management in respect of the proposed Capital Programme 2018/19 onwards. The following appendices were submitted with the report:

Appendix A – Capital Programme Summary;
Appendix B – Capital Programme Detail; and
Appendix C – Capital Investment Proposals for 2018/19 and onwards.

The Executive Member for Finance and IT began advising that the years set out in recommendation 2.2 of the report should be amended from “2017/18 to 2020/21” to “2018/19 to 2021/22”.

The Executive Member for Finance and IT stated that, for a number of years, the Council had been investing a significant amount of capital expenditure across North Hertfordshire. Much of those capital resources had come from the transfer of Council housing to North Hertfordshire Homes some years ago; some had come from the sale of land considered surplus to Council requirements; some had come from developer contributions via Section 106 Agreements; and some had come from Government grants.

The Executive Member for Finance and IT reported that the above mentioned capital money was coming to an end. The Capital Programme as currently set out implied that, if nothing changed, then the balance in capital assets would be zero by the end of 2018/19. However, revenue reserves could be used to bolster the Capital Programme, and there was also the facility to borrow money.

The Executive Member for Finance and IT explained that another variable was the possibility of large scale capital projects overrunning, both in terms of time and budget.

The Executive Member for Finance and IT advised that the Council expected to generate capital receipts of around £8.5Million over the period 2018/19 to 2021/22. The Government’s Capital Receipts Direction allowed new capital receipts to be used for one-off revenue purposes to support transformation and efficiency projects that delivered ongoing revenue savings.

The Executive Member for Finance and IT referred to the Capital Investment proposals set out in Appendix C to the report. He drew attention to Item NCP4 (Royston Leisure Centre Extension), which was a proposed expenditure of £1Million, and which if it proceeded would deliver revenue income for the Council. In respect of Item ECP12 (Hitchin Swimming Pool Car Park extension), he explained that there had been a Public Inquiry regarding the proposed extension of the car park onto the Butts Close area of Hitchin. If the result of the Public Inquiry was not favourable to the Council then it may be that the capital budget of £476,000 may need to be re-allocated.

In response to a Member's request, the Executive Member for Finance and IT undertook to ensure that, where appropriate, all future asset disposals considered the possibility of long leases, as well as the option of outright sale.

RECOMMENDED TO COUNCIL:

(1) That the inclusion in the proposed Capital Programme of all the new Capital Investment proposals listed in Appendix C to the report, totalling £3.274Million overall (£1.931Million profiled in 2018/19) be approved; and

(2) That the provisional Capital Programme for 2018/19 to 2021/22 of £17.075Million, as detailed in Appendices A and B to the report, be adopted.

REASON FOR DECISION: To ensure that the Capital Programme meets the Council's objectives and that officers can plan the implementation of the approved schemes.

The following is the report considered by Cabinet at its meeting held on 23 January 2018.

TITLE OF REPORT: CAPITAL PROGRAMME 2018/19 ONWARDS

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To obtain Cabinet's approval of the provisional capital programme for 2018/19 to 2021/22. The current estimate is that total capital expenditure in 2018/19 - 2021/22 will be £17.075m.

2. RECOMMENDATIONS

2.1 That Cabinet approves the inclusion of the new capital investment proposals and revisions to existing proposals, listed in Appendix C, which total £3.274million overall (£1.931million profiled in 2018/19) in the proposed capital programme.

2.2 That Cabinet recommends the provisional capital programme for 2018/19 to 2021/22 of £17.075million, as detailed at Appendix A and Appendix B, to Council for adoption.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Each proposed capital scheme is the result of consideration of options for continuous service improvement by the relevant Head of Service in consultation with the relevant Executive Member.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2017. Notes of the comments and questions raised at the workshops were provided to Cabinet in December.

5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

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 24 November 2017.

7. BACKGROUND

7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District and a review of the Medium Term Financial Strategy. Finance and other resources are aligned to the strategic priorities as set out in the Corporate Plan. This requires that each proposal for additional investment is linked to one of the three priorities identified in the Priorities document.

7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the November meeting of Cabinet providing estimates as at the end of the second quarter of 2017/18. The report advised that total expenditure of £28.322m would be required to deliver the current capital programme for 2017-2021, with £14.520m forecast to be spent in 2017/18. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2017.

Table 1- Capital Estimates

	2017/18 £M	**2018/19 £M**	**2019/20 to 2020/21 £M**
Original Estimates approved by Full Council February 2017	**8.465**	**4.788**	**3.197**
Changes approved by Cabinet in 2016/17 Capital Outturn report	12.125	-0.365	0.025
Revised Capital Estimates at start of 2017/18	**20.590**	**4.423**	**3.222**
Changes approved by Cabinet at 1st Quarter	-5.451	5.234	0
Changes approved by Cabinet at 2nd Quarter	-0.619	0.923	0
Current Capital Estimates	**14.520**	**10.580**	**3.222**

7.3 The December meeting of Cabinet received details of new capital investment proposals and proposed revisions to existing projects that were collated and reviewed as part of the annual Corporate Business planning process.

8. RELEVANT CONSIDERATIONS
Capital Programme 2018/19 and onwards

8.1 The Council has adopted three high level priorities for 2018/19 and onwards. These are:

- Attractive & Thriving
- Prosper & Protect and
- Responsive & Efficient

8.3 The strategic summary in Appendix A aligns the capital programme to Council priorities while also demonstrating the overall funding position year on year. The scheme by scheme details are shown in Appendix B. The estimated capital spend in 2018/19 is 12.511million. The total estimated capital spend over the period 2018/19 to 2021/22 is £17.075m.

8.4 The new capital investment proposals and proposed revisions to existing projects are detailed in Appendix C.

Capital Programme Funding 2017/18 and onwards

8.5 The capital programme can be funded by a combination of third party contributions (e.g. S106 and grants), government grants, revenue contributions, prudential borrowing and useable and set aside capital receipts. The estimated intended funding from each source for the capital programme is shown in Appendix A.

8.6 The largest assumed source of funding is through the use of Council resources, either via capital receipts or set aside capital receipts. The impact of using the set aside receipts (which are not replenished with more receipts) is to reduce the amount of cash available for treasury investment. This means there is an adverse General Fund impact resulting from capital expenditure which is funded by this means, as the amount of interest received on investments reduces. It is estimated that the forecast balance remaining at the end of 2017/18 of £5.145m of set aside capital receipts will reduce to zero over the period 2018/19 to 2021/22, while there will also be a total demand on usable capital receipts of £6.855m. At an average interest rate of 0.7%, this money would have generated the General Fund income up to £84k per annum. Each capital scheme must be individually assessed on its own merits and business case but the overall affordability of the capital programme must also remain under review. This is done by reviewing the Capital Financing Requirement in the Treasury Strategy and making sure an appropriate level of adjustment is reflected in the general fund estimates.

8.7 Appendix A shows that the total planned demand on the set-aside receipts is greater than the balance available at the start of 2017/18. This however is based on the current profile (timing) of capital expenditure. It is likely that there will be changes to the profile of spend and that usable capital receipts might be available to fund expenditure as and when the set-aside receipts reduce to zero. If this is not the case then the Council will need to use revenue contributions or borrow to fund this capital expenditure.

8.8 The availability of third party contributions and grants to fund capital investment is continuously sought in order to alleviate pressure on the Council's available capital receipts and allow for further investment. In 2018/19 a total of £2.0million of third party contributions and grants is expected to be applied.

Asset Disposals

8.9 A number of assets have been identified for disposal via the asset management plan and it is anticipated that the Council will complete disposals over the period 2018/19 -2021/22 that will generate receipts of around £8.5million.

8.10 The capital receipts direction allows new capital receipts to be used for one-off revenue purposes to support transformation and efficiency projects that deliver ongoing revenue savings. It is intended to make use of this option in 2018/19 to fund the proposals to decommission identified pavilions and playgrounds, as detailed in Appendix C.

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 the capital programme and its impact upon the revenue budget Cabinet is able to make informed recommendations on the budget to Council.

9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 8 of the report. The Authority can call upon borrowing or the disposal of its non-core assets if needed and if considered affordable.

10.2 The Authority operates a 10% tolerance limit for most capital projects and on this basis over the next four-year programme (2018/19 - 2021/22) it should be anticipated that the total spend over the period could be £1.708million higher than the estimated £17.075million. The authority will need to continuously review the affordability of the capital programme in the light of the asset disposal programme, availability of third party funds and impact on the general fund, including the on-going revenue liabilities arising from new capital schemes. The asset disposal programme has to be carefully reviewed in the light of market conditions while considering the demands for resources from the capital programme.

11. RISK IMPLICATIONS

11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This should be detailed to Members when a new investment comes forward (see the anticipated impact column on Appendix C).

11.2 The risk implications of each individual scheme are considered in project plans as the schemes are progressed.

11.3 The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.

12. EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2018/19 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct human resource or employee equality implications.

15. APPENDICES

15.1 Appendix A: Capital Programme Summary.

15.2 Appendix B: Capital Programme Detail.

15.3 Appendix C: New Capital Investment Proposals and proposed revisions to existing projects for 2018/19 and onwards.

16. CONTACT OFFICERS

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By Council Priority

Priority	2016/17 Outturn £'000	2017/18 Working Budget £'000	2017/18 Revised Budget £'000	Movement £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Attractive & Thriving	2,106	3,529	3,529	0	3,600	0	300	0
Prosper & Protect	1,042	526	1,076	550	4,459	150	0	0
Responsive & Efficient	2,538	10,465	10,465	0	4,452	1,678	1,125	1,312
Grand Total	**5,686**	**14,520**	**15,070**	**550**	**12,511**	**1,828**	**1,425**	**1,312**

By Service Group

Service Group	2016/17 Outturn £'000	2017/18 Working Budget £'000	2017/18 Revised Budget £'000	Movement £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Advances & Cash Incentives	0	0	0	0	1,096	0	0	0
Asset Management	1,395	5,753	5,753	0	3,525	150	0	0
CCTV	69	35	35	0	0	0	0	0
Community Services	428	371	371	0	636	250	120	0
Computer Software and Equipment	410	290	290	0	111	538	115	507
Corporate Items	2	11	11	0	2,500	0	0	0
Growth Fund Projects	0	0	0	0	713	0	0	0
Leisure Facilities	1,965	3,252	3,252	0	2,209	85	385	0
Museum & Arts	715	149	699	550	0	0	0	0
Parking	125	430	430	0	916	0	0	0
Renovation & Reinstatement Grant Expenditure	544	630	630	0	805	805	805	805
Waste Collection	32	3,600	3,600	0	0	0	0	0
Grand Total	**5,686**	**14,520**	**15,070**	**550**	**12,511**	**1,828**	**1,425**	**1,312**

Capital Funding Source

Funding Source	2016/17 Funding £'000	2017/18 Working Budget £'000	2017/18 Revised Budget £'000	Movement £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Funding £'000
Government Grant	520	600	600	0	1,508	745	745	745
Revenue Contribution / Borrowing	0	0	0	0	540	0	0	0
Other Capital Contributions	196	0	520	520	163	0	250	0
S106 Funding	457	347	347	0	341	0	37	0
Capital Receipt	2,328	2,586	2,106	-480	4,813	1,083	393	567
Drawdown of cash investments	2,185	10,987	11,497	510	5,145	0	0	0
Grand Total	**5,686**	**14,520**	**15,070**	**550**	**12,511**	**1,828**	**1,425**	**1,312**

Capital Receipt Analysis

	2016/17 Outturn £'000	2017/18 Working Budget £'000	2017/18 Revised Funding £'000		2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
B/fwd Capital Receipt Funding	-5,462	-3,221	-3,221		-2,315	-2	-2,920	-3,277
Add: Capital Receipts Received in Year	-87	-1,040	-1,200	-160	-2,500	-4,000	-750	-1,250
Less: Capital Receipts Used in Year	2,328	2,586	2,106	-480	4,813	1,083	393	567
C/Fwd Capital Receipt Funding	**-3,221**	**-1,675**	**-2,315**	**-640**	**-2**	**-2,920**	**-3,277**	**-3,960**

Cash Investments Analysis (set-aside receipts funding)

	2016/17 Outturn £'000	2017/18 Working Budget £'000	2017/18 Revised Funding £'000		2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
B/fwd Cash Investments	-18,827	-16,642	-16,642		-5,145	0	0	0
Drawdown of cash investments	2,185	10,987	11,497	510	5,145	0	0	0
C/Fwd Cash Investments	**-16,642**	**-5,656**	**-5,145**	**510**	**0**	**0**	**0**	**0**

Service Group	Project	Spend in Prior Years £'000	2017/18 Revised Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	Total Scheme Cost £'000
Advances & Cash Incentives								
	John Barker Place, Hitchin	0	0	1,096	0	0	0	1,096
Advances & Cash Incentives Total		**0**	**0**	**1,096**	**0**	**0**	**0**	**1,096**
Asset Management								
	Council property improvements following condition surveys	260	65	875	0	0	0	1,200
	Energy efficiency measures	0	60	0	0	0	0	60
	Provide housing at market rents	0	200	2,650	150	0	0	3,000
	Refurbishment of DCO	811	5,268	0	0	0	0	6,079
	Replacement of Walsworth Common Access Bridge	9	120	0	0	0	0	129
	Storage Facilities	515	40	0	0	0	0	555
Asset Management Total		**1,595**	**5,753**	**3,525**	**150**	**0**	**0**	**11,023**
CCTV								
	Replacement of neighbourhood CCTV equipment	0	35	0	0	0	0	35
CCTV Total		**0**	**35**	**0**	**0**	**0**	**0**	**35**
Community Services								
	Area Visioning	321	26	0	0	0	0	347
	Baldock Town Hall project	36	77	0	0	0	0	113
	Demolition of Bancroft Hall	47	1	0	0	0	0	48
	Refurbishment and improvement of community facilities	0	200	636	250	120	0	1,206
	S106 Projects	635	67	0	0	0	0	702
Community Services Total		**1,039**	**371**	**636**	**250**	**120**	**0**	**2,417**
Computer Software and Equipment								
	40 KVA UPS Device or Battery Replacement	7	0	0	7	0	0	14
	Additional PC's - Support Home Working/OAP	0	13	0	13	0	0	26
	Additional Storage	0	12	0	13	0	0	25
	Alarm Receiving Centre (ARD) Upgrade	0	30	0	0	0	0	30
	Alternative to safeword tokens for staff/members working remotely	0	0	0	8	0	0	8
	Back-up Diesel 40 KVA Generator (DCO)	0	0	0	20	0	0	20
	Cabinet Switches - 4 Floors	0	15	0	0	0	18	33
	Cadcorp Local Knowledge & Notice Board Software	0	0	14	0	0	0	14
	Careline Call Handling Hardware and Software	104	5	0	0	0	0	109
	Channel shift - processing of housing register applications	0	20	20	0	0	0	40
	Core Backbone Switches	10	0	0	20	0	0	30
	Customer Self Serve Module	10	3	0	0	0	0	13
	Cyber Attacks - Events Monitoring Software Solution	0	0	30	0	0	0	30
	Dell Servers	0	0	0	65	0	0	65
	Disaster Recovery Set Up	42	47	0	25	0	0	115
	Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	0	29	0	0	39	0	68
	Email Encryption Software Solution	31	0	0	0	45	0	76
	Laptops - Refresh Programme	0	0	6	0	6	0	12
	Microsoft Enterprise Agreement	260	0	0	200	0	450	910
	New Blade Enclosure	0	0	0	32	0	0	32
	PC refresh programme	53	17	17	17	17	17	138
	Permit gateway Citizen - to enable customers to renew permits on line	4	11	0	0	0	0	15
	Recording of Council Meetings	0	64	0	0	0	0	64
	Replacement SAN	0	0	0	110	0	0	110
	Security - Firewalls	0	10	14	0	0	14	38
	Software for personalised bills and annual billing	13	6	0	0	0	0	19
	Tablets - Android Devices	7	8	10	8	8	8	49
Computer Software and Equipment Total		**542**	**290**	**111**	**538**	**115**	**507**	**2,102**
Corporate Items								
	Capitalised Pension Fund Contribution	2,447	0	2,500	0	0	0	4,947
	Telephony system	124	11	0	0	0	0	135
Corporate Items Total		**2,571**	**11**	**2,500**	**0**	**0**	**0**	**5,082**
Growth Fund Projects								
	Cycle Strategy implementation (GAF)	122	0	278	0	0	0	400
	Green Infrastructure implementation (GAF)	45	0	185	0	0	0	230
	Transport Plans implementation (GAF)	109	0	250	0	0	0	359
Growth Fund Projects Total		**276**	**0**	**713**	**0**	**0**	**0**	**989**

Service Group	Project	Spend in Prior Years £'000	2017/18 Revised Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	Total Scheme Cost £'000
Leisure Facilities								
	Bancroft Gardens Play Area	21	54	0	0	0	0	75
	Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	0	0	170	0	0	0	170
	Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth	0	0	35	0	0	0	35
	Decommissioning of Pavilions	0	0	120	0	0	0	120
	Decommissioning of Play Areas	0	0	130	0	0	0	130
	Dog / Litter Bins	0	40	0	0	0	0	40
	Hitchin & Royston Fitness Equipment	206	520	0	0	0	0	726
	Hitchin Outdoor Pool Showers and Toilets	0	75	0	0	0	0	75
	Hitchin Swimming Centre Lift	0	100	0	0	0	0	100
	Hitchin Swimming Pool Car Park extension	32	50	476	0	0	0	558
	Jackmans Central Play Area Renovation	0	75	0	0	0	0	75
	Letchworth Outdoor Pool safety surface	0	0	60	0	0	0	60
	Letchworth Outdoor Pool Showers and Toilets	0	75	0	0	0	0	75
	New changing rooms, Walsworth Common, Hitchin	0	0	0	0	300	0	300
	North Herts Leisure Centre Development	1,697	1,922	0	0	0	0	3,619
	Norton Common Wheeled Sports improvements	13	159	0	0	0	0	172
	Relay concrete slabs that surround the Hitchin outdoor pool	25	35	0	0	0	0	60
	Renew pathways at Bancroft Recreation Ground, Hitchin	0	50	0	0	0	0	50
	Renovate play area Howard Park, Letchworth	0	0	0	0	75	0	75
	Renovate play area King George V Recreation Ground, Hitchin	0	0	0	75	0	0	75
	Renovate play area, District Park, Gt. Ashby	0	0	75	0	0	0	75
	Replace items of equipment, Brook View, Hitchin	0	10	0	0	0	0	10
	Replace items of play equipment Holroyd Cres, Baldock	0	0	0	0	10	0	10
	Replace items of play equipment Wilbury Recreation Ground, Letchworth	0	0	0	10	0	0	10
	Replace items of play equipment, Chiltern Road, Baldock	0	0	10	0	0	0	10
	Royston Leisure Centre extension	0	0	1,000	0	0	0	1,000
	Serby Avenue Play Area renovation, Royston	67	8	0	0	0	0	75
	Smithsons Recreation Ground	27	2	0	0	0	0	29
	Splash Park at Bancroft Recreation Ground	186	12	0	0	0	0	198
	Splash Park at Priory Memorial, Royston	157	15	0	0	0	0	172
	Ultra Violet water disinfection system	0	50	0	0	0	0	50
	Walsworth Common Pitch Improvements	0	0	103	0	0	0	103
	Walsworth Common Reconstruction of Car Park	0	0	30	0	0	0	30
Leisure Facilities Total		**2,432**	**3,252**	**2,209**	**85**	**385**	**0**	**8,362**
Museum & Arts								
	Burymead Road - new roof waterproofing system	53	2	0	0	0	0	55
	NH Museum & Community Facility	5,183	147	0	0	0	0	5,329
	Purchase of 14 & 15 Brand Street	0	550	0	0	0	0	550
Museum & Arts Total		**5,236**	**699**	**0**	**0**	**0**	**0**	**5,935**
Parking								
	Installation of trial on-street charging (GAF)	0	0	50	0	0	0	50
	Lairage Multi Storey Safety and Equalities Act improvements	0	40	0	0	0	0	40
	Lairage Multi-Storey Car Park - Structural wall repairs	172	6	120	0	0	0	298
	Letchworth Multi Storey Safety Edge Protection Fencing	0	120	0	0	0	0	120
	Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	3	147	0	0	0	0	149
	Letchworth multi-storey car park - lighting	200	23	0	0	0	0	223
	Off Street Car Parks resurfacing and enhancement	188	60	91	0	0	0	339
	Replace and enhance lighting at St Mary's Car Park	0	0	60	0	0	0	60
	Refurbishment of lifts at Lairage Car Park	0	0	360	0	0	0	360
	St Mary's car park. Structural repairs to steps	6	35	0	0	0	0	41
	Town Centre pay & display machines for on-street charging	0	0	235	0	0	0	235
Parking Total		**570**	**430**	**916**	**0**	**0**	**0**	**1,916**
Renovation & Reinstatement Grant Expenditure								
	Mandatory Disabled Facility Grants	8,591	600	745	745	745	745	12,171
	Private Sector Grants	952	30	60	60	60	60	1,222
Renovation & Reinstatement Grant Expenditure Total		**9,543**	**630**	**805**	**805**	**805**	**805**	**13,393**
Waste collection								
	Waste and Street Cleansing Vehicles	0	3,600	0	0	0	0	3,600
Waste Collection Total		**0**	**3,600**	**0**	**0**	**0**	**0**	**3,600**
Grand Total		**23,804**	**15,070**	**12,511**	**1,828**	**1,425**	**1,312**	**55,949**

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Head of Service / Corporate Manager	Description of Proposal	Corporate Priority	Total Project Investment 2018/19 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2018/19	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
					£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
Projects and / or values highlighted in yellow indicate new proposals or proposed revision(s) to existing proposals. Revisions to existing proposals are clarified in the accompanying commentary.												
New proposals and proposed revisions to existing proposals												
ECP12	Leisure Facilities	Head of Leisure & Environmental Services	Hitchin Swimming Pool Car Park extension	Attractive & Thriving	476	-	476	0	0	0	*0*	To provide a new car park at HSC. UPDATE CBP 2018/19: Proposed to increase the existing capital provision by an additional £250,000 as; the Council has had to spend money as part of the Section 38 approval and the legal cost of the land swap; the original construction cost estimates were prepared over five years ago and construction costs have since increased. The revised project budget has been estimated at a cost of £5,000 per parking space.
ECP40	IT	Head of Revenues & Benefits & IT & MSU	Microsoft Enterprise Agreement	Responsive & Efficient	650	-	0	200	0	450	*0*	NHDC entered into a 3 year Contract for the use of Microsoft Licences for which 2017/18 represents year 2 of 3. There is the option within the contract to extend by a further 2 years. It is essential NHDC has the correct Microsoft Licences to ensure we do not fall foul of F.A.S.T (Fraud Against Software Threat) regulations. UPDATE CBP 2018/19: £450k is requested to be earmarked for renewal of licences contract in 2021/22
NCP1	IT	Head of Revenues & Benefits & IT & MSU	Cadcorp Local Knowledge & Notice Board Software	Responsive & Efficient	14	-	14	0	0	0	*1*	This software collates current stored information from the current GIS software and presents it as a web page which can be tailored to display data such as Waste Collections, Recycling Collections (dates), your Councillor, Planning Applications, Listed Buildings etc. all in a single view via the NHDC Website. This software will benefit the public and officers alike when researching NHDC information.
NCP2	IT	Head of Revenues & Benefits & IT & MSU	Cyber Attacks - Events Monitoring Software Solution	Responsive & Efficient	30	-	30	0	0	0	*6*	For the past 6 years NHDC have been using a software solution called GFI Events Management for capturing and reporting potential cyber hacking threats. The contract is due for renewal in May 2018. It is an essential requirement of the PSN that the authority has an active solution in place.
NCP3	Leisure Facilities	Head of Leisure & Environmental Services	Letchworth Outdoor Pool safety surface	Attractive & Thriving	60	-	60	0	0	0	*0*	To remove and replace the existing safety surface at Letchworth Outdoor Pool as the current surface condition is in poor condition. Officers have investigated current market products and these are now more superior to what is currently in situ. The proposed surface will be the same product that was recently installed at Hitchin Outdoor Pool.
NCP4	Leisure Facilities	Head of Leisure & Environmental Services	Royston Leisure Centre extension	Attractive & Thriving	1,000	-	1,000	0	0	0	*tbc*	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council. The revenue implication of the project is therefore subject to negotiation and agreement with SLL, but is estimated to involve an increase in the annual return to the General Fund in the range of £120k to £150k.
NCP5	Parks & Countryside Development	Head of Leisure & Environmental Services	Decommissioning of Play Areas	Responsive & Efficient	130	-	130	0	0	0	*-29*	The Councils adopted Green Space Management Strategy 2017-2021 seeks to asset transfer 13 of its less used play areas. Play areas that are not transferred to a third party by March 2018 will have equipment removed and be managed as green space. As this project does not involve enhancing an asset, any investment will ultimately be charged to the Council's General Fund but, as the scheme does deliver service change that leads to ongoing cost reductions, it therefore would be expected to meet the conditions for funding from capital resource under the flexible use of Capital Receipts direction.

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Head of Service / Corporate Manager	Description of Proposal	Corporate Priority	Total Project Investment 2018/19 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2018/19	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP6	Parks & Countryside Development	Head of Leisure & Environmental Services	Decommissioning of Pavilions	Responsive & Efficient	120	-	120	0	0	0	-8	The Councils adopted Green Space Management Strategy 2017-2021 seeks to asset transfer four pavilions identified as beyond economic repair at Bakers Close, Baldock. St. Johns Road, Cadwell Lane & Walsworth Common, Hitchin. If not transferred to a third party by March 2018 they will be decommissioned & returned to green space. As this project does not involve enhancing an asset, any investment will ultimately be charged to the Council's General Fund but, as the scheme does deliver service change that leads to ongoing cost reductions, it therefore would be expected to meet the conditions for funding from capital resource under the flexible use of Capital Receipts direction.
NCP7	Property Services/ Parking	Head of Finance, Performance and Asset Management/ Head of Leisure & Environmental Services	Refurbishment of lifts at Lairage Car Park	Attractive & Thriving	360	-	360	0	0	0	0	Estimated cost of the refurbishment of the four lifts. The work will be required to ensure that the lifts opearte safely and relaibly. This may not be required until 2019/20.
ECP3	Housing Services	Head of Housing & Public Protection	Disabled Facility Grants	Responsive & Efficient	2,980	2,980	745	745	745	745	0	DFGs are available to owner/occupiers and tenants towards the cost of providing adaptations and facilities to assist older people and people with disabilities. It enables them to remain independent within their own home. In February 2015 Council approved maintaining this level of funding for 2015/6 and beyond whilst a review on longer term options was undertaken. UPDATE 2018/19 CBP: Investment proposed to be extended to 2021/22. Total government grant expectation amended accordingly. 2017/18 total £716k. Total funding value includes application of grant funding held as income in advance (where grant unspent in prior year).
ECP2	Housing Services	Head of Housing & Public Protection	Home Repair Assistance Grants	Responsive & Efficient	240	-	60	60	60	60	0	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold. In February 2015 Council approved an increase in the level of funding from £35k to £60k per annum for 2015/6 and future years. UPDATE 2018/19 CBP: Investment proposed to be extended to 2021/22
ECP5	IT	Head of Revenues & Benefits & IT & MSU	PC's - Refresh Programme	Responsive & Efficient	68	-	17	17	17	17	0	PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the citrix thin client technology. UPDATE CBP 2018/19: Resource of £17k requested in both 2020/21 and 2021/22
ECP6	IT	Head of Revenues & Benefits & IT & MSU	Tablets - Android Devices	Responsive & Efficient	34	-	10	8	8	8	0	As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. UPDATE CBP 2018/19: Additional £2k resource requested in 2018/19 and £8k earmarked in both 2020/21 and 2021/22
ECP27	IT	Head of Revenues & Benefits & IT & MSU	Security - Firewalls	Responsive & Efficient	28	-	14	0	0	14	0	Firewalls are one of the most important piece of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure. UPDATE CBP 2018/19: Resource of £14k requested to be programmed in 2021/22

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Head of Service / Corporate Manager	Description of Proposal	Corporate Priority	Total Project Investment 2018/19 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2018/19	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
					£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
ECP4	IT	Head of Revenues & Benefits & IT & MSU	Core Backbone Switch	Responsive & Efficient	20	-	0	20	0	0	*0*	Dual processor switch, which links the virtual servers to the SAN. UPDATE CBP 2018/19: £17k earmarked provision in 2018/19 proposed to be removed.
ECP28	IT	Head of Revenues & Benefits & IT & MSU	Cabinet Switches - 4 Floors	Responsive & Efficient	18	-	0	0	0	18	*0*	This hardware connects each floor across the DCO to each other and back to the IT Data Centre on the ground floor. This hardware is the essential piece of kit that routes the traffic from desktops to the data servers and hence keeping this technology up to date and modern is essential to ensure data speeds are maintained. UPDATE CBP 2018/19: Allocated resource of £18k in 2018/19 reprogrammed to 2021/22.
ECP23	IT	Head of Revenues & Benefits & IT & MSU	Laptops - Refresh Programme	Responsive & Efficient	12	-	6	0	6	0	*0*	Over the past 3 years IT have reduced the laptop estate from 149 devices down to only having 48 still in use. The small budget provision is to ensure we have funds to replace these devices when Windows 7 becomes de-supported or they have reached their end of life as part of the refresh programme. UPDATE CBP 2018/19: Resource allocation of £6k requested in 2020/21.
TOTAL					**6,240**	**2,980**	**3,042**	**1,050**	**836**	**1,312**	**-30**	

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COUNCIL
8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 9

TITLE OF REPORT: ITEM REFERRED FROM CABINET: 23 JANUARY 2018 – TREASURY MANAGEMENT STRATEGY FOR 2018/19

The following is an extract from the Draft Minutes of the Cabinet meeting held on 23 January 2018.

85. TREASURY MANAGEMENT STRATEGY FOR 2018/19

The Executive Member for Finance and IT presented a report of the Head of Finance, Performance and Asset Management in respect of the proposed Treasury Management Strategy for 2018/19. The following appendices were submitted with the report:

Appendix A – Treasury Management Policy Statement:
Appendix B – Treasury Management Practices; and
Appendix C – Treasury Strategy Statement.

The Executive Member for Finance and IT advised that the Strategy was vey similar to previous strategies. However, one of the most significant changes related to the proposal that the Council extended its borrowing limits. As shown in Paragraph 3.2 of Appendix C to the report,, it was proposed to increase the Council's borrowing operational boundary form £4Million to £5Million, and its authorised limit for external debt from £6Million to £15Million.

The Executive Member for Finance and IT drew members' attention to Paragraph 2.3 of Appendix C, in respect of the Minimum Revenue Provision (MRP) Policy Statement. If the Council found itself in a position where it needed to borrow, then part of that requirement was that the Council set aside revenue provision over the period of the loan for repayment. The two options to make this provision were set out in Paragraph 2.3, and the Council would look at the most appropriate method based on the reasons for the borrowing.

RECOMMENDED TO COUNCIL: That the 2018/19 Treasury Strategy Statement, as attached at Appendix C to the report, be adopted.

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 Cabinet at its meeting held on 23 January 2018.

TITLE OF REPORT: TREASURY MANAGEMENT STRATEGY FOR 2018/19

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To seek Member approval of the Treasury Strategy Statement for 2018/19 and recommend its adoption by Council. This includes the Treasury Management Prudential Indicators, as required by the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities.

1.2 There have been no significant changes to the Treasury Strategy from 2017/18. The main changes relate to borrowing limits (paragraph 8.5.1) and clarifications as to how the Minimum Revenue Provision will be calculated (paragraph 8.6.1).

2. RECOMMENDATIONS

2.1 That Cabinet recommend to Council the adoption of the 2018/19 Treasury Strategy Statement (Appendix C).

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 The Council must have in place a Treasury Strategy Statement, adopted by full Council, before the start of the financial year.

4.2 The primary principle governing the Council's investment criteria is the security of its investments, which includes credit, liquidity and market risk (see section 8 below). After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk. Our current strategy is relatively low risk, but we have still been able to achieve a yield that is above the average achieved by the Link (formerly Capita) Hertfordshire and Buckinghamshire Investment Benchmarking Group. Link Asset Services advisors promote a more risk adverse approach in relation to investments with most Building Societies as they are not rated. This option has been dismissed on the basis of Members' appetite for risk, the impact on the general fund and controls on the value of investments with each Building Society. Link Asset Services would also promote greater diversification in relation to non-UK deposits, however the Council have chosen not to invest outside of the UK.

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 (Link).

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 24 November 2017.

7. BACKGROUND

7.1 The Treasury Strategy Statement for 2017/18 was approved by Council on 9 February 2017. A mid year review of the Treasury Strategy was provided to Members in November 2017. There have been no changes made to the Strategy during the course of 2017/18

7.2 The Code of Practice on Treasury Management requires that a report be submitted setting out four clauses which should be formally passed in order to approve adoption of the code. CIPFA recommends that public service organisations adopt as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

7.2.1 Clause 1

This relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management:

- A Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities (Appendix A). This is unchanged from the Policy Statement approved by Full Council on 9 February 2017.

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. (Appendix B).

The content of the Policy Statement and TMPs follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments are minor and do not result in the organisation materially deviating from the Code's key principles.

7.2.2 Clause 2

This relates to the reporting on treasury activities. In accordance with the Code, there will be:

- An annual report on Policy and practices (as referred to in 7.2.1 above), contained within this report
- Treasury Strategy (a plan for the year), contained within this report
- Annual report after the end of the year, reported to Full Council in July
- Quarterly monitoring reports on treasury activities to Cabinet. This exceeds the guidance which just requires a mid-year review.

All these reports will be in the form set out in the TMPs.

7.2.3 Clause 3

This relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Head of Finance, Performance and Asset Management (the Chief Finance Officer) who will act in accordance with the Authority's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.

7.2.4 Clause 4

This relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

7.3 The Prudential Code, under the Local Government Act 2003, requires Local Authorities to set an authorised limit and an operational boundary for its total external debt.

7.4 CIPFA revised the Code of Practice on Treasury Management and the Prudential Code in 2009 to include new financial indicators that Local Authorities have to set. These are incorporated into the Treasury Strategy Statement.

7.5 The Department for Communities and Local Government (DCLG) carried out a consultation on changes to guidance in relation to the prudential framework for capital finance. The consultation closed on the 22 December and the feedback will need to be analysed before final guidance is issued. Given the timing it is hoped that there will not be a requirement for any changes to be made to strategies for 2018/19. The most significant change could be that capital investments whose primary purpose is to generate a financial return will need to be assessed as though they are treasury investments. This will require an assessment of security and liquidity.

8. RELEVANT CONSIDERATIONS

8.1 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. Each element of risk and the approach of the Authority to mitigate the exposure to the risks is described below.

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

8.2.1 The Council's counterparty list comprises mostly UK building societies and UK banks with a Fitch credit rating greater than BBB but also includes other Local Authorities, and Public Corporations. Foreign banks with a UK subsidary, if they are subject to the same stress tests as UK banks, were added to the counterparty list in the 2015/16 strategy to give another outlet for our investments.

8.2.2 The average rate of interest achieved on investments by NHDC compares favourably to our Hertfordshire neighbours. This is mainly due to our investment strategy which permits investments to be placed with non-rated building societies and for a period of time of 12 months or more. This is in contrast to many authorities who will not lend to the building society sector, prefer to keep investments to less than one year and have taken a more risk averse position with regards to counterparties.

8.2.3 Building societies are regulated to the same standards as UK banks and are prevented by law from undertaking risky financial trading.

8.2.4 In the past when a building society has encountered difficulties, a merger with a stronger society has ensured that both wholesale depositors and retail savers experienced no interruption to service. There is of course no guarantee that this would continue to happen.

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

8.3.1 Cash flow forecasts are prepared to determine the level of funds required to meet the day to day commitments with investments split between investments to cover the day to day cash flow activity and longer-term investments that take advantage of higher interest rates when they become available.

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

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

(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.

8.4.2 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy and there is no proposed change to the current practice of allowing no more than 40% of outstanding investments to be invested for longer than 365 days at any one time. The Chief Finance Officer will be required to approve any deal longer than two years.

8.5 **Borrowing**

8.5.1 The Authority currently has a negative Capital Financing Requirement (CFR), although it is expected that it will reduce to close to zero during 2018//19. Depending on the timing of capital expenditure and receipts and any new opportunities for capital investment, there may be a need to borrow during 2018/19. The Treasury Management Strategy therefore proposes an operational boundary of £5m and an authorised limit of £15m (Appendix C at 3.2). These are both increases compared to 2017/18. The operational boundary is a maximum limit beyond which external debt is not normally expected to exceed. The authorised limit must not be exceeded. The Council will only borrow when it needs to do so, even though the Council could potentially benefit in the longer term from the low interest rates currently available. This would be imprudent and could be considered to be illegal as it would be in breach of the requirements of S.1 of the Local Government Act 2003. Therefore whilst they are still available the Council will continue to drawdown cash balances (i.e. capital reserves) to fund the capital programme.

8.5.2. The balance of longer term investments at the start of 2017/18 was £28.5million This is expected to reduce by £11.0million during 2017/18 to fund the capital programme. Total investment interest in 2017/18 will be in the region of £0.173million.

8.6 **Treasury Management Statement**

8.6.1 The Treasury Management Statement for 2018/19 is attached in Appendix C. There have been some changes in relation to borrowing limits (as referenced in 8.5.1 above) and some clarifications as to how the Minimum Revenue Provision (MRP) will be calculated have been added in Appendix C at 2.3. The MRP is a required charge to the General Fund (i.e. a cost to Council Taxpayers) when the Council borrows to fund capital expenditure. The intention is that it sets aside the money to repay the borrowing when it becomes due.

9. LEGAL IMPLICATIONS

9.1. Other than has already been set out in the report, section 151 of the Local Government Act 1972 provides 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." The Council has appointed such an officer and that person has delegated responsibilities in respect of these matters as set out in the body of the report.

9.2. The CIPFA Prudential Code provides that "Prudential Indicators… are required to be set… alongside the processes established for the setting… of the budget for the local authority". It also states that "*decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority*". As detailed in Appendix B, the Council sets Treasury Management Practices to comply with the CIPFA Treasury Management Code. This process includes a review by the Finance, Audit and Risk Committee and Cabinet, prior to Full Council approval. This is in line with the processes established for the setting of the Revenue Budget and Capital Programme, as detailed in the Constitution.

9.3. CIPFA Treasury Management Code recommends that "*local authorities should, as a minimum, report annually to full council on their Treasury Management Strategy and plan, before the start of the yea*r".

9.4. As a result, Full Council is asked to approve the Treasury Strategy Statement (Appendix C).

9.5 The CIPFA Prudential Code allows for detailed implementation and monitoring to be delegated to a Committee. As per the Constitution this is delegated to the Finance, Audit and Risk Committee, As a result. this Committee is asked to review and comment on the compliance with the Code of Practice on Treasury Management..

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications arising from the adoption of the Code and the Treasury Management Strategy. However, it is important to note that the Council currently receives approximately £0.2M a year of interest from its cash investments and this is used to help fund general fund expenditure. The Strategy has an impact on the amount of interest achievable and any significant change to the strategy would, as a result, impact on the general fund and lead to higher savings targets if interest receivable were to fall as a result.

10.2 The Treasury Management function is audited annually. The Treasury Management Audit Report in March 2017 concluded that a substantial level of assurance can be gained from the system of controls in operation.

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. 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.

11.2 The Treasury Management Strategy reflects the Council's risk appetite, which inevitably varies between different authorities, as referenced in 8.2.2 above.

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 - Treasury Management Policy Statement.
Appendix B - Treasury Management Practices.
Appendix C - Treasury Strategy Statement.

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17. BACKGROUND PAPERS

17.1 CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes 2017.

17.2 CIPFA Prudential Code for Capital Finance in Local Authorities, 2017.

TREASURY MANAGEMENT POLICY STATEMENT

This organisation defines the policies and objectives of its treasury management activities as follows:

1 This organisation defines its treasury management activities as :
"The management of the authority's investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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TREASURY MANAGEMENT PRACTICES

This organisation will prepare the following treasury management practices to which schedules will be attached to specify the systems and routines to be employed and the records to be maintained.

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

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Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

North Hertfordshire District Council 2018/19

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1 INTRODUCTION

1.1 Background

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

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

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, Cabinet will receive quarterly update reports.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised. This role is undertaken by the Finance, Audit and Risk Committee.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department for Communities and Local Government (DCLG) MRP Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers are periodically reviewed and training will be arranged for both members and officers as required.

1.5 Treasury management consultants

The Council uses Link Asset Services as its external treasury management advisors. (formerly known as Capita Asset Services).

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital expenditure	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
		As at January 2018	**As at January 2018**		
Advances & Cash Incentives	0	0	1,096,000	0	0
Asset Management	1,395,400	5,753,000	3,525,000	150,000	0
CCTV	69,500	35,000	0	0	0
Community Services	427,500	371,200	636,000	250,000	120,000
Computer Software & Equipment	409,500	289,700	110,500	537,600	115,000
Corporate Items	2,100	10,600	2,500,000	0	0
Growth Fund Projects	0	0	713,000	0	0
Leisure Facilities	1,965,500	3,251,800	2,208,900	85,000	385,000
Museum & Arts	715,000	148,600	0	0	0
Parking	124,700	429,900	916,200	0	0
Renovation & Reinstatement Grant Expenditure	544,300	630,000	805,000	805,000	805,000
Waste Collection	32,500	3,600,000	0	0	0
Total	**5,686,000**	**14,519,800**	**12,510,600**	**1,827,600**	**1,425,000**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. Given the Council's CFR position (see below) this will be met by a drawdown of cash investments, rather than actual borrowing.

Financing of capital expenditure	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital receipts	2,328,100	2,106,400	4,812,700	1,082,600	393,000
Government Grants	520,200	600,000	1,508,000	745,000	745,000
Other Capital Contributions	196,100	520,000	163,000	0	250,000
Revenue Contributions	0	0	0	0	0
S106 Funding	457,000	346,760	341,300	0	37,000

Net financing need for the year	**2,184,600**	**10,946,640**	**5,685,600**	**0**	**0**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.132m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	**2016/17 Actual**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
Capital Financing Requirement					
Total CFR	**-16.642**	**-5.696**	**-0.010**	**-0.010**	**-0.010**
Movement in CFR	**2.185**	**10.946**	**5.686**	**0**	**0**

Movement in CFR represented by					
Net financing need for the year (above)	2.185	10.946	5.686	0	0
Less MRP/VRP and other financing movements	0	0	0	0	0
Movement in CFR	**2.185**	**10.946**	**5.686**	**0**	**0**

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

The CFR is expected to remain negative during 2018/19 but as investments mature and are retained to fund capital there will come a point when that will no longer be the case.

CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement using the Asset Life Method.

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

There are two approaches that can be used when applying the Asset Life Method:

Equal instalments – The principal repayment made is the same each year

Or

Annuity – the principal repayments increase over the life of the asset. This has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset

The Council will determine whether to use the Annuity or Equal Instalment method based on the project(s) that the borrowing is used for and the benefits derived from the project(s).

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (e.g. sale of surplus assets). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Fund balances / reserves	8,235	6,210	6,412	5,799	5,619
Capital receipts	3,221	2,315	2	2,920	3,277
Provisions	966	1,000	1,000	1,000	1,000
Other	4,609	4,664	4,664	4,664	4,664
Total core funds	**17,031**	**14,189**	**12,078**	**14,383**	**14,560**
Set Aside Receipts	16,642	5,695	9	9	9
Expected investments	**33,673**	**19,884**	**12,087**	**14,392**	**14,569**

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratio	-2.47%	-1.97%	-0.73%	-0.35%	-0.37%

The estimates of financing costs include current commitments and the proposals in this budget report. The figures are negative because NHDC receives a greater amount of investment interest than it pays loan interest. The ratio is falling due to a reduction in estimated investment interest. The interest is reducing as investments are drawn down to fund the Capital Programme.

2.7 Incremental Impact of Capital Investment Decisions on Council Tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period. Any shortfall in capital funding will be met by a drawdown on cash investments. The table below shows the likely impact on the General Fund and the incremental impact of Capital investment on Council Tax.

Incremental impact of capital investment decisions on the band D council tax

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Loss of investment interest in General Fund (£000)	£22	£77	£40	£0
Equivalent increase in Council Tax	0.22%	0.74%	0.37%	0.00%

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt at 1 April	480	456	440	423	405
Expected change in Debt	24	16	17	18	19
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Gross debt at 31 March	**456**	**440**	**423**	**405**	**386**
The Capital Financing Requirement	**-16,642**	**-5,696**	**-10**	**-10**	**-10**
(Under) / over borrowing	**456**	**440**	**423**	**405**	**386**

The Council has a negative CFR which gives a position of "over borrowing". This is due to borrowing taken out before the receipt of income from the sale of the housing stock.

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary.

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

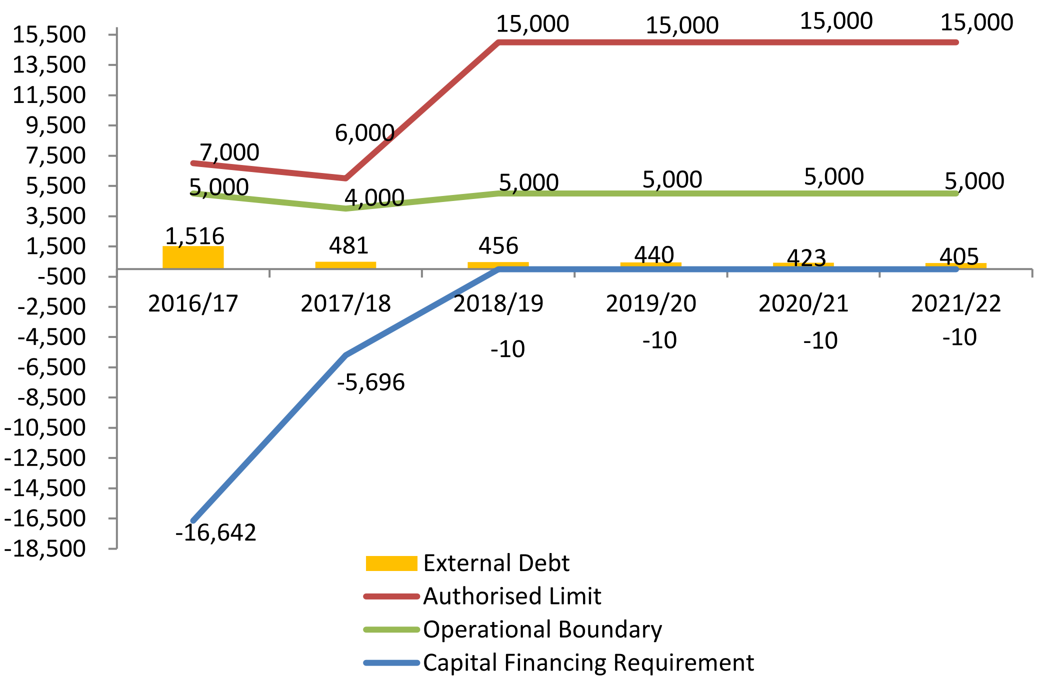
Operational boundary £'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	4,000	5,000	5,000	5,000
Other long term liabilities	0	0	0	0
Total	4,000	5,000	5,000	5,000

The authorised limit for external debt.

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	6,000	15,000	15,000	15,000
Other long term liabilities	0	0	0	0
Total	6,000	15,000	15,000	15,000



3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link's view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

3.4 Borrowing strategy

The Council is currently maintaining an over-borrowed position. This is because the Council has both a negative CFR and outstanding debt. This is due to the legacy of outstanding debt incurred prior to the receipt of income from the sale of the housing stock. Debt has not been repaid early as the premium for early redemption is extremely expensive. Outstanding debt will continue to reduce over time as loans reach maturity which means that this indicator will show as "over borrowed" for the foreseeable future.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Head of Finance, Performance and Asset Management will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

The CFR as at the 1st April 2018 is estimated to be a negative £5.696M. Where the CFR is nil or negative on the last day of the financial year, this indicates that the Authority's provision for debt is equal to or greater than the debt incurred. There is accordingly no need to make a Minimum Revenue Provision in the following year. The CFR requirement of a local authority will increase whenever capital expenditure is incurred and not resourced immediately (from useable capital receipts, direct charge to revenue or capital grant) and represents an increase in the underlying need to borrow for a capital purpose. This will be the case whether or not external borrowing actually occurs.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates:			
• **Debt only**	100%	100%	100%
• **Investments only**	100%	100%	100%
Limits on variable interest rates			
• **Debt only**	50%	50%	50%
• **Investments only**	30%	30%	30%
Maturity structure of fixed interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		4%	100%
12 months to 2 years		4%	100%
2 years to 5 years		12%	100%
5 years to 10 years		20%	100%
10 years and above		60%	100%
Maturity structure of variable interest rate borrowing 2018/19			
		Lower	Upper
Under 12 months		0%	100%

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

Investment instruments identified for use in the financial year are listed below in 4.2

4.2 Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Head of Finance, Performance and Asset Management will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

Fitch ratings will be used to identify the risk associated with each counterparty. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

NHDC will continue the policy to not invest any funds in non UK registered banks.

NHDC will only lend to UK banks with a credit rating for longer term deals of "BBB" or above and F3 or above for short term credit ratings. (These are Fitch definitions of ratings). For further clarification, NHDC will invest in foreign banks with a UK subsidary if they are subject to the same stress tests as UK banks.

Deposits and Certificates of Deposits will be placed with the following investment counterparties:

- Banks 1 - good credit quality **–** the Council will only use banks which:
    1. are UK banks;
    2. are UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks

  and have, as a minimum, the following Fitch, credit ratings:
    1. Short term – F3
    2. Long term – BBB
- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks will be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Banks 4 - UK Banks wholly owned subsidiaries -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies

  Not all building societies are credit rated but this will not preclude them from the lending list if they fulfil the criteria below. (Building societies have to pay the credit rating agency to obtain a rating). Where a society does have a credit rating, this will be considered at the time of the deal taking into account the amount of investment and the length of the deal.

  Unrated Building Societies produce annual reports known as Pillar 3 reports. These provide some information regarding the risks and capital adequacy of the Society. These reports will be reviewed by Officers before agreeing to deposit funds with the Society.

  The Council will use all societies which:
    1. Have assets in excess of £0.3bn
- Money market funds – AAA rated only
- UK Government (including gilts and the DMADF)
- Other Local authorities
- Property Funds – within the UK

  There are both up-front set up and exit costs for Property Funds. The capital value of these funds also fluctuates over time. Whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, there will not be a requirement to disinvest in line with the maximum period of investment of 5 years, and instead investments will be monitored on a regular basis to balance the need for cash (liquidity risk) with exit costs (market risk).

The Council will seek to ensure a reasonable spread of the cash investments across multiple counterparties. Maximum limits will apply as detailed in the table below. In addition the overall percentage of outstanding investments with each counterparty will not be more than 10% of total investments outstanding at the time of the deal.

	Total Maximum Amount Invested		
	£9 Million	**£6 Million**	**£4 Million**
UK Clearing Banks with a credit rating of BBB or above	All		
UK Clearing Banks – Wholly owned Subsidiaries with a credit rating of BBB or above	All		
UK Subsidiaries of Foreign Banks with a credit rating of BBB or above	All		
AAA rated Money Market Funds	All		
Building Societies	Assets Over £2.5bn	Assets £1bn to £2.5bn	Assets £0.3bn-£1bn
Public Corporations	All		
Other Local Authorities	All		

The Council's general banking provider, Lloyds, is excluded from the above limits in as far as the balance available in the current account.

Credit ratings are obtained and monitored by officers on a monthly basis. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be placed with that entity;
- depending on the severity of the downgrade, consideration will be given to recalling any existing investments that can be done so at no cost.

Financial Sector considerations

Limits will be used to ensure a degree of spread of the exposure to one particular sector:

- no more than 75% of investments will be placed with banks;
- no more than 75% of investments will be placed with Building Societies;
- no more than 25% of investments will be placed with Property Funds
- as Property Funds and Building Societies are exposed to the property market, the combined value of these investments will not exceed 75%
- no more than 25% of investments will be placed with Money Market Funds.

Use of additional information other than credit ratings.

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

4.3 Investment Strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates.

Investment returns expectations.
Bank Rate is forecast to stay flat at 0.5% until March 2019 and then to rise slowly to March 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The estimated investment interest for 2018/19 is approximately £0.173M. This has been calculated using an average interest rate of 0.6% for new deals made during the year via the Cash Manager and 0.5% for those places by Officers in house.

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£m	2018/19	2019/20	2020/21
Principal sums invested > 365 days	40% of Total Investments	40% of Total Investments	40% of Total Investments

A maximum of 40% of total investments may be invested longer than 365 days with a maximum term of 5 years. All decisions made on long term investments will be dependant on market conditions and cashflow. Deals longer than two years will require approval by the Chief Finnace Officer.

4.4 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.5 Cash Manager

The Council's Cash Manager, Tradition, will comply with the Annual Investment Strategy. To avoid the fees associated with using a Cash Manager, the Council will seek to identify and use in-house deals where it can match the rate offered. However it is still sensible to identify expected maximum levels for external and in-house management.

The maximum levels expected for 2018/19 are as follows:

External Cash Manager	£30 Million (no change from 17/18)
Managed In House	£45 Million (increased from £30 Million)

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COUNCIL 8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 10

TITLE OF REPORT: PAY POLICY STATEMENT 2018/19

REPORT OF THE CORPORATE HUMAN RESOURCES MANAGER
EXECUTIVE MEMBER: COUNCILLOR MRS L.A. NEEDHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 This report sets out a draft Pay Policy Statement 2018/19 (Appendix 1) for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015[1] and any other relevant legislation. The Statement incorporates elements of existing policy and practice and is required to be agreed annually.

2. RECOMMENDATIONS

2.1 Council is recommended to endorse the Pay Policy Statement attached at Appendix 1.

2.2 Council is also recommended to agree to delegate authority for revisions, such as subsequent pay awards agreed nationally and new legislative requirements to the Policy Statement to the Corporate Human Resources Manager, in consultation with the Leader of the Council, as outlined in Paragraph 3.8 of the Pay Policy Statement at Appendix 1.

3. REASONS FOR RECOMMENDATIONS

3.1 To comply with the requirements of Section 38 of the Localism Act 2011, statutory guidance issued under s40 and the Local Government Transparency Code 2015.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The Pay Policy Statement reflects current adopted policies and associated statutory reporting arrangements.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 Initial consultation on the Draft Pay Policy Statement has taken place with the Leader of the Council.

[1] The Local Government Transparency Code 2015 issued February 2015

6. FORWARD PLAN

6.1 This decision has not appeared in the Forward Plan as it is reserved for Full Council under the terms of the Act and as such does not constitute a key decision.

7. BACKGROUND

7.1 The Localism Act 2011 requires Council to approve, on an annual basis, a Pay Policy Statement. The suggested contents of the statement are set out in guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015 and the Enterprise Act 2016.The Local Government Transparency Code 2014 has been superseded by the Local Government Transparency Code 2015.

7.2 Whilst the guidance primarily requires Councils to set out the policy in relation to senior pay, it is important to understand that NHDC's existing Pay Policy adopted in 2004, does not differentiate between senior staff and others. Thus, the existing and draft NHDC Pay Policy Statement goes beyond that which is required to be published in accordance with paragraph 31 of the guidance issued under Section 40 of the Localism Act 2011 https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-guidance
References to 'Chief Officers' in this report and in the Statement are to the Chief Executive, Deputy Chief Executive and Heads of Service and Corporate Managers.

7.3 Since the adoption of the first Pay Policy Statement in March 2012, supplementary guidance has been issued by the Secretary of State and this is described further in paragraph 8.2. A copy of the supplementary guidance can be viewed here https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-supplementary-guidance The 2015 Code reiterates points on pay multiples (para 51 & 52 of that Code).

7.4 The Pay Policy Statement, along with other information on senior salaries (already published in accordance with the Accounts & Audit Regulations 2015 and the Local Government Transparency Code 2015), must be published as soon as reasonably practical on the Council's website.

7.5 The former Code of Recommended Practice for Local Authorities on Data Transparency has been replaced with the Local Government Transparency Code 2015 and the Small Business, Enterprise and Employment Act 2015 and the Enterprise Act 2016. The relevant requirements of these are set out in the Pay Policy Statement at Appendix 1.

8. RELEVANT CONSIDERATIONS

Pay Policy Statement 2018/19

8.1 The draft Pay Policy Statement 2018/19 is attached as Appendix 1. This details:

- Background
- Grading Arrangements
- Future Appointments
- Pay Multiples

- Car Allowances

- Other Payments

- Pension Contributions

- Publication Requirements

8.2 The Local Government Transparency Code 2015 requires publication of the pay multiple between the highest earning and the median earnings of the whole of the workforce amongst other things. The Council has however included this information in all of the previous Pay Policy Statements in the interests of transparency.

8.3 The main changes from the 2017/18 Pay Policy Statement are:

- Pay Comparisons referred to in the Pay Policy Statement (Appendix 1, Para 2.5)

- Details of the pay offer for 2018/19 set out in the Pay Policy Statement (Appendix 1, Para 2.6)

- An update on the Public Sector Exit Payment Regulations 2016 (Appendix 1 Paras 3.12 and 3.13)

- Proposed changes to the Council's Senior Manager structure that are set to be implemented during the first quarter of 2018/19, set out in the Pay Policy Statement (Appendix 1, Para 3.5)

9. LEGAL IMPLICATIONS

9.1 Under section 38 of the Localism Act 2011, the Council must prepare a Pay Policy Statement for each financial year and policies for the financial year relating to the remuneration of its chief officers and its lowest-paid employees and the relationship between the remuneration of its chief officers and its employees who are not chief officers.

9.2 The Council must have regard to any guidance issued or approved by the Secretary of State under Section 40 of the Act.

9.3 Under section 39 of the Localism Act, the Council's Pay Policy Statement must be approved by resolution of the authority, before it comes into force.

9.4 Council is asked to note paragraphs 3.12 and 3.13 of the Pay Policy Statement and in particular, the uncertainty of when the Public Sector Exit Payment Regulations 2016 will come into force. In the meantime payment of any severance package would be regulated by the appropriate pay policies applicable to all staff within the organisation including the most senior, in conjunction with any applicable terms and conditions of employment contracts. As soon as there is more certainty on the Regulations, the relevant pay policies will be reviewed and updated accordingly.

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications arising from this report.

11. RISK IMPLICATIONS

11.1 There are no direct risk implications arising from this report other than those referred to in paragraph 9.4.

12. EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its 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 Pay Policy Statement reflects the practical arrangements that are in place to ensure all employees are remunerated in accordance with the requirements of the Equality Act and Public Sector Equality Duty and, in particular, through the application of a universal grading, flexible retirement scheme, and salary structure for all staff. The pay policy ensures consistency in regard to pay and remuneration in regard to individual roles, and therefore with no direct adverse impact on any single group with protected characteristics.

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 at Paragraph 12.

14. HUMAN RESOURCE IMPLICATIONS

14.1 The Pay Statement meets the requirements of the Localism Act 2011. In addition to this the Council maintains a transparent Rates of Pay Policy covering the pay and benefit rates for all employees of the Council.

15. APPENDICES

15.1 Appendix 1 - North Herts District Council Draft Pay Policy Statement 2018/19.

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17. BACKGROUND PAPERS

17.1 These are referred to in the body of the report and the Draft Pay Policy Statement 2018/19.

17.2 Guidance issued by the Secretary of State under S.40 of the Localism Act (February 2012).

17.3 Supplementary Guidance issued by the Secretary of State under S.40 of the Localism Act (February 2013).

17.4 The Local Government Transparency Code 2014 superseded by the Local Government Transparency Code 2015.

17.5 The Use of severance agreements and "off payroll" arrangements - Guidance for local authorities March 2015.

17.6 The Small Business, Enterprise and Employment Act 2015.

17.7 The Enterprise Act 2016.

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APPENDIX 1

North Herts District Council - Pay Policy Statement 2018/19

1. INTRODUCTION

1.1 Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and have regard for any guidance issued under section 40 of the Act and the Supplementary Guidance released in February 2013 and viewed alongside the Local Government Transparency Codes 2014 and 2015. This statement outlines our current policy and matters required by the Act and the Transparency Codes relating to the pay of staff particularly senior staff and the lowest paid employees.

1.2 This is the seventh annual statement and covers the financial year, beginning 2018/19. The first pay policy statement was published in 2012, however the Council provided pay multiples in advance of the requirement to do so. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

2. BACKGROUND

2.1 Under the 1997 National Joint Committee (NJC) Single Status Agreement, Councils were required to harmonise pay and conditions for comparable posts; a requirement that affected 1.5 million public sector employees. NHDC completed its pay review in 2004, adopting Hay Job Evaluation and other elements of remuneration. The Hay method of evaluation is widely used by both public and private sector organisations. The Hay method works across the board, all posts from the Chief Executive post down are evaluated by the Hay Job Evaluation Scheme using the same criteria.

2.2 In setting our pay scales Hay Consultants compared the job evaluation scores with market rates both nationally and in London and the South East. The salary range was set at median plus 3.5% for London and the South East. The rationale for this was as follows:

- It was within the budget provision
- It decreased those paid above the maximum of their new grade to a minimum (35% of staff)
- It was intended to support recruitment and retention and enable the authority to be more competitive with other public and private sector organisations in the vicinity

2.3 The Council's pay and benefits package was given approval by Cabinet in February 2004.

2.4 Following a senior management reorganisation in 2009, another Job Evaluation was carried out by Hay on Senior Posts and included an update of market data at that time.

2.5 The People Strategy 2016 - 2020 identified considerable recruitment and retention issues ahead for the Council and during 2016 Hay consultants were asked again to carry out the process described in paragraph 2.2.This exercise was carried out and it identified the Councils pay rates to be 6.17% below the comparators, rising to an average of 8.75% for Chief Officer pay. Alongside this we considered a report produced by EELGA using data from the regional Epaycheck service which viewed senior manager pay by authority type, working age population, Council expenditure and number of employees. That analysis showed Tier 3 pay rates (that of Heads of Service, and Corporate Managers) to be lower than the comparator rates for Tier 4.

2.6 For the majority of staff we have been following the progress of the review of the Local Government National Pay Scales. Councils were advised to expect a reasonable level of pay increase as a result. The pay offer for 2018/19 received on 5 December 2017 announced a two year offer of 2% for most staff and another bottom loaded increase for the lowest paid to keep pace with the rising National Living Wage.

3. GRADING

3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points with the exception of Grade 16 which contains 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through Hay job evaluation. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system.

3.2 The lowest grade is Grade 1. At this point in time, the bottom of the Grade 1 pay band is £15,156. This is above the national SCP 6 rate of £15,014. The top is £16,344 and the median is £15,750.

3.3 From 2013 onwards the Council employed a number of temporary apprentices and interns paid at the bottom of Grade 1 (now £15,156) in support of helping young people to gain paid meaningful work experience and to help them go on to find permanent employment.

The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer’s pay bill. The Enterprise Act 2016 also set out that public sector bodies will be required to employ apprentices and will be set targets to increase Apprenticeships. These provisions have led to some changes to the current Apprentice Scheme that will apply from 2018/19.

3.4 Service Managers are mainly grades 10 to 12. Grades 11 and 12 attract a grade related car allowance of £3,000. Grades 13 and 14 attract an allowance of £3,500 and Grades 15 and 16 an allowance of £4,000.

3.5 At the Councils July 2017 meeting it was agreed to delete the roles of Strategic Directors and replace those with a new post of Deputy Chief Executive. The senior structure will also change further during 2018/19 with the deletion of Head of Service and Corporate Manager posts to be replaced by new Service Director Posts.

3.6 There are ten service managers at Grade 12 earning £43,848 to £51,588. These are typically professional senior technical officers or managers.

3.7 The table below shows the current positions for Chief Officers on Grades 12 to 16.

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Corporate Legal Manager(Vacant post)	13	52,008	61,188
Corporate Strategic Planning & Enterprise Manager	12	43,848	51,588
Corporate Human Resources Manager (Part Time)	13	52,008 Pro Rata	61,188 Pro Rata
Head of Revenues and Benefits	13	52,008	61,188
Head of Planning & Building Control	13	52,008	61,188
Head of Leisure & Environment	13	52,008	61,188
Head of Finance, Performance & Asset Management	13	52,008	61,188
Head of Housing & Public Protection	13	52,008	61,188
Head of Policy & Community Services (Vacant Post)	13	52,008	61,188
Deputy Chief Executive	15	84,960	99,036
Chief Executive	16	104,976	115,488

3.8 The values of the pay points within these pay grades are up-rated by the pay awards notified from time to time by the National Joint Council for Local Government Services. For the Chief Executive and Deputy Chief Executive the up-rate is usually determined via the Joint Negotiating Committee for Chief Executives of Local Authorities and for Heads of Service and Corporate Manager grades usually up-rated by the Joint Negotiating Committee for Chief Officers of Local Authorities, as the JNC conditions of service apply to these posts. In the event of any pay awards after the statement is prepared, the pay policy statement is updated with the new pay rates and the median and multiple rates. Paragraph 2.5 referred to the 2018/19 and 2019/20 NJC pay offer.

3.9 The Car Allowance (See section 6 below) was last increased in 2004. The rates of employee pension contributions for Chief Officers rose sharply in 2008 and again rose sharply with the new Career Average Revaluated Earnings Scheme changes to the LGPS in 2014. The combination of these things has led to a decline in the overall value of the pay of Chief Officers since 2008.

3.10 Full Council will vote before a salary of £100,000 is offered in respect of a new appointment. A salary package includes salary and fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment. This will apply to Chief Executive recruitment, no other posts are expected to reach this threshold.

3.11 The current arrangements for Exit payments require Full Council to vote before any discretionary severance compensation payment award that is in excess of £100,000 is offered, namely:

- Salary paid in Lieu of Notice
- Outstanding Holiday Pay
- Redundancy/Compensation under the Discretionary Compensation Regulations 2006
- Pension strain costs to the Employer

3.12 The Public Sector Exit Payment Regulations 2016 and Recovery Regulations were expected to come in to force from October 2016. It will apply to Voluntary and Compulsory exits and where a number of payments are made they will be aggregated together to be measured against the cap.
The Exit payment cap will include:

- Redundancy,
- Pay in lieu of notice,
- Settlement agreement payments
- Costs arising from early pension access (the LGPS will be amended to limit strain costs)
- Other voluntary exits with compensation packages
- Ex gratia payments and special severance payments
- Other benefits granted as part of the exit process that are not payments in relation to employment
- Payments relating to the cashing up of outstanding entitlements

3.13 An update received in November 2016 stated there had been some slippage in the timetable and since that time there has been no further progress confirming the timetable for these regulations to commence.

3.14 Returning Officer/counting officer fees are paid by the parish, North Herts District Council or the Government and are payable to the Chief Executive/Returning Officer in respect of Elections and referendums. These fees are agreed annually by a report to Full Council and resolution. In setting a scale of fees and charges the Council is complying with The Representation of The People Act 1983, (section 36).

4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS

4.1 If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs, pension contributions, national insurance, paid leave etc. However, where necessary a higher “market rate” will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external independent advice and dialogue with peer authorities.

4.2 Engaging senior people on a temporary basis as a self employed worker, a consultant or via an agency occurs in isolated instances only. This form of employment is a last resort when it is in the economic or operational interests of the Council.

4.3 The Use of severance agreements and “off payroll” arrangements was the subject of Guidance issued for local authorities in March 2015, IR35. From 6 April 2017, responsibility for assessing IR35 status and for deducting and accounting for PAYE and NIC will became the responsibility of the public sector body engaging them. The HMRC have developed an on-line tool to assess whether IR35 applies. HR and Accounts worked together on the processes to implement these changes.

5 PAY MULTIPLES

5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. The Council is not required to publish details of these pay multiples but has decided to do so in the interests of transparency. The Council is satisfied that the multiples shown in Table 2 below are justifiable and equitable as these rates are set out in the Job Evaluation scheme which applies to all of the Council's posts.

5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority's workforce. The highest paid salary including allowances is £119,488. The median salary of the whole of the Local Authority's workforce is £20,213 and the multiple is 5.8.

5.3 The multiple of the median of the lowest paid compared to the highest paid has reduced from 7.94 in 2012/13 to 7.25 in 2017/18. These ratios will be updated following the senior manager changes and any final pay agreement for staff covered by NJC and JNC national negotiating arrangements.

Position/ Grade	Pay range	Median	
Grade 1	£15,156 - £16,344	£15,750	
Position/ Grade	**Pay range**	**Median (inc Car Allowance**	**Multiple of Grade 1 Median**
Chief Executive - Grade 16	£104,976 - £115,488	£114,232	7.25
Deputy Chief Executive Grade 15	£84,960 - £99,030	£95,998	6.14
Heads of Service/Corporate Managers Grade 13	£52,008 - £61,188	£60,098	3.82
Corporate Managers Grade 12	£43,848 - £51,588	£50,718	3.22

The Council is satisfied that the multiples shown in 5.2 and 5.3 are justifiable and equitable and our rates are set by our Job Evaluation scheme and apply to all of the Council's posts.

6. CAR ALLOWANCES

6.1 Employees who need to use their cars on a frequent basis for work related travel get Frequent car user allowances of:-

Engine Size	Mileage Rate	Lump Sum
451 – 999	36.9p /mile	£846 p.a.
1000 – 1199	40.9p/mile	£963 p.a.
1200 – 1450	50.5p/mile	£1,239 p.a.

6.2 Employees who only use their cars on an occasional basis are refunded mileage only.

Engine Size	Mileage Rate
451 – 999	46.9p /mile
1000 – 1199	52.2p/mile
1200 – 1450	65.0p/mile

6.3 In setting car allowances for senior managers it was agreed that lease cars or the cash equivalent would be provided to Grades 11 and above as part of the overall reward package to attract and retain staff at the time. This was agreed at the meeting of Council on 12 February 2004.

6.4 A review of the benefit was carried out in 2011 and it was decided to phase out the provision of lease cars, but maintain the car allowance which has not been increased since 2004,

Car Allowance

Grade 11 -12 £3,000 p.a.
Grade 13 -14 £3,500 p.a.
Grade 15 -16 £4,000 p.a.

Car Allowance Mileage Rates
Size Mileage Rate

451 – 999 11.21p/mile
1000 – 1199 11.91p/mile
1200 – 1450 12.52p/mile
1451 – 1750+ 13.23p/mile

7. OTHER PAYMENTS

7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as market forces or long service are paid at exactly the same rates or calculated on the same basis as for all staff. All these rates are set out in the Council's Rates of Pay Policy.

7.2 Any severance payments should be made in accordance with the Council's Early Severance Policy and prevailing legislative requirements. The only other severance payments would be those set out in a severance settlement agreement or to settle an employment dispute to prevent, resolve or settle an Employment Tribunal Claim.

In agreeing the terms for such cases due regard will be given to ensuring the cost is justifiable in relation to the circumstances and that the proposed outcome is in the best interests of the Council and represents a proper use of public funds.

8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

8.1 With 4.6 million members, the Local Government Pension Scheme is one of the largest public sector pension schemes in the UK. The LGPS is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government. The LGPS differs from many other public sector pension schemes in that it is a funded scheme i.e. it has assets to pay its pensions. For North Herts District Council, the scheme is administered by Hertfordshire County Council via a contract with the South East fund, Local Pensions Partnership.

8.2 The current Employer contribution rate is 18.6% for all grades. This increased from 15.5% following the 2016 triennial valuation to reflect the changes to the accrual rate in the Career Average Revaluated Earnings scheme (CARE) introduced in April 2014.

8.3 There has been a significant number of changes to the scheme to that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1 April 2014.The Employee Contribution bands for 2018/19 are set out in the table below. Further reforms to the LGPS are expected due to the Public Sector Exit Payment Cap.

LGPS 2014	
Basis of Pension	Career average revaluated earnings CARE
Revaluation Rate	Based on CPI
Accrual Rate	1/49th
Pensionable Pay	Pay including non contractual overtime and additional hours for part time staff
Employee Contribution Rates	Up to £13,700 5.5% £13,701 £21,400 5.8% £21,407 £34,700 6.5% £34,701 £43,900 6.8% £43,901 £61,300 8.5% £61,301 £86,800 9.9% £86,801 £102,200 10.5% £102,201 £153,300 11.4%

8.4 The Single Tier State Pension ended the previous contracting out of NI arrangements from April 2016. As a result LGPS members pay an additional 1.4% of their earnings between £5,564 and £40,004. Employer NI contributions have also risen.

Flexible Retirement Pension Discretion

8.5 The Council allows flexible retirement under its pension discretions. This is where an employee draws their pension and carries on working at a lower grade and/or on reduced hours. It is available to LGPS members who are aged 55 or over, and who, with the Council's consent, permanently significantly reduce their hours and/or reduce their grade. The employee's pension is actuarially reduced if paid before age 65. This policy applies to all grades including Chief Officers but applications would be at the Council's discretion giving due regard to the business implications and succession planning.

9. PUBLICATION

9.1 This is the seventh annual statement and applies to the financial year, beginning 1 April 2018 to 31 March 2019. This statement was approved by a meeting of full Council on 8 February 2018. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts and publish these on the Council's website.

10. BACKGROUND DOCUMENTS

- Council Report 19 July 2017 Senior Management Arrangements
- Pay Policy Statement 2017/18
- Openness & Accountability in Local Pay: Guidance
- Under Section 40 of the Localism Act 2011 February 2012
- Openness & Accountability in Local Pay: Guidance Under Section 40 of the Localism Act 2011 February 2013 Local Government Transparency Code 2014
- Local Government Transparency Code 2015
- Small Business, Enterprise and Employment Act 2015
- (Draft) The Repayment of Public Sector Exit Payments Regulations 2015
- Enterprise Act 2016
- The use of Severance Agreements and off payroll arrangements - Guidance for Local Authorities March 2015
- Annual Statement of Accounts
- Rates of Pay Policy
- Early Severance Policy
- Market Forces Policy
- NHDC Pension Discretions
- Retirement Policy
- Additional Responsibility Pay Policy

COUNCIL 8 FEBRUARY 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 11A

TITLE OF REPORT: QUESTIONS FROM MEMBERS

In accordance with Standing Order 4.8.11(b), the following question has been submitted by a Member to a Cabinet Member:

(A) North Hertfordshire Local Plan Examination

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

"In the light of the extended timescales of the Local Plan Examination in Public and the level of scrutiny by the Inspector do you expect that Main Modifications to the plan will be required?

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***PART 1 – PUBLIC DOCUMENT**	**AGENDA ITEM No.** **12**

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.

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*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 13

TITLE OF REPORT: EXCLUSION OF PUBLIC AND PRESS

To consider passing the following resolution:

That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the said Act.

[Note: The definition of Paragraphs 3 and 5 referred to above is as follows:-

”3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.”

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 14

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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