

# Public Document Pack

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Your Ref.  
Contact. Ian Gourlay (01462) 474403  
Direct Dial. (01462) 474403  
Email. [ian.gourlay@north-herts.gov.uk](mailto:ian.gourlay@north-herts.gov.uk)

To: Members of the Cabinet:

Councillor Lynda Needham, Leader of the Council (Chairman)  
Councillor Julian Cunningham, Executive Member for Finance and IT & Deputy Leader of the Council (Vice-Chairman)  
Councillor Jane Gray, Executive Member for Leisure  
Councillor Tony Hunter, Executive Member for Community Engagement and Rural Affairs  
Councillor David Levett, Executive Member for Planning and Enterprise  
Councillor Bernard Lovewell, Executive Member for Housing and Environmental Health  
Councillor Ray Shakespeare-Smith, Executive Member for Policy, Transport and Green Issues  
Councillor Michael Weeks, Executive Member for Waste Management, Recycling and Environment

You are invited to attend a

## **MEETING OF THE CABINET**

to be held in the

**FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH  
GARDEN CITY**

on

**TUESDAY, 23RD JANUARY, 2018 AT 7.30 PM**

Yours sincerely,



David Miley  
Democratic Services Manager

## **Agenda** **Part I**

<b>Item</b>	<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. MINUTES - 19 DECEMBER 2017</b> To take as read and approve as a true record the Minutes of the meeting of Cabinet held on 19 December 2017.	(Pages 1 - 16)
<b>3. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chairman of other business which they wish to be discussed by the Cabinet at the end of either Part I or Part II 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.	
<b>4. CHAIRMAN'S ANNOUNCEMENTS</b> Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest which requires they leave the room under Paragraph 7.4 of the Code of Conduct, can speak on the item, but must leave the room before the debate and vote.	
<b>5. PUBLIC PARTICIPATION</b> To receive petitions, comments and questions from the public.	
<b>6. ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 22 JANUARY 2018 - DRAFT REVENUE BUDGET 2018/2019</b>	(Pages 17 - 18)
<b>7. STRATEGIC PLANNING MATTERS</b> REPORT OF THE HEAD OF DEVELOPMENT AND BUILDING CONTROL	(Pages 19 - 26)
<i>To inform Cabinet of the current positions regarding:</i>	
<ul style="list-style-type: none"><li>• <i>Duty to Co-operate with neighbouring authorities;</i></li><li>• <i>Other Local Plans and Examinations;</i></li><li>• <i>North Hertfordshire Local Plan and Community Infrastructure Levy;</i></li><li>• <i>Neighbourhood Plans; and</i></li><li>• <i>Government announcements.</i></li></ul>	
<b>8. DRAFT REVENUE BUDGET 2018/2019</b> REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT	(Pages 27 - 50)

*To consider the Draft Revenue Budget for 2018/2019.*

9. **CAPITAL PROGRAMME 2018/2019 ONWARDS** (Pages  
REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET 51 - 64)  
MANAGEMENT
- To consider the proposed Capital Programme for 2018/2019 onwards.*
10. **TREASURY MANAGEMENT STRATEGY FOR 2018/2019** (Pages  
REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET 65 - 94)  
MANAGEMENT
- To consider the proposed Treasury Management Strategy for 2018/2019.*
11. **PIRTON NEIGHBOURHOOD PLAN - EXAMINER'S REPORT** (Pages  
REPORT OF THE HEAD OF DEVELOPMENT AND BUILDING CONTROL 95 - 152)
- To consider the Pirton Neighbourhood Plan - Examiner's Report.*
12. **SALE OF LAND AT LUMEN ROAD, ROYSTON** (Pages  
REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET 153 -  
MANAGEMENT 158)
- To consider the proposed sale of land at Lumen Road, Royston.*
13. **NORTH HERTFORDSHIRE MUSEUM AND HITCHIN TOWN HALL -** (Pages  
**ACQUISITION OF 14/15 BRAND STREET** 159 -  
REPORT OF THE CHIEF EXECUTIVE 164)
- To consider options for the proposed acquisition of 14/15 Brand Street, Hitchin.*
14. **EXCLUSION OF PRESS AND PUBLIC** (Pages  
To consider passing the following resolution: 165 -  
166)
- That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following reports will involve the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the said Act.
15. **NORTH HERTFORDSHIRE MUSEUM AND HITCHIN TOWN HALL -** 167 -  
**ACQUISITION OF 14/15 BRAND STREET** 172  
REPORT OF THE CHIEF EXECUTIVE
- To consider a Part 2 report on the options for the proposed acquisition of 14/15 Brand Street, Hitchin.*

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# Agenda Item 2

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### CABINET

MEETING HELD IN THE FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH  
GARDEN CITY ON TUESDAY, 19TH DECEMBER, 2017 AT 7.30 PM

### MINUTES

**Present:** *Councillors Councillor Lynda Needham (Chairman), Councillor Julian Cunningham (Vice-Chairman), Jane Gray, Tony Hunter, David Levett, Bernard Lovewell, Ray Shakespeare-Smith and Michael Weeks.*

**In Attendance:**

*David Scholes (Chief Executive), Anthony Roche (Deputy Chief Executive), Ian Couper (Head of Finance, Performance and Asset Management), Ian Fullstone (Head of Development and Building Control), Howard Crompton (Head of Revenues, Benefits and IT), Vaughan Watson (Head of Leisure and Environmental Services), Chloe Hipwood (Service Manager - Waste and Recycling), Jeanette Thompson (Acting Corporate Legal Manager) and Ian Gourlay (Committee and Member Services Manager).*

**Also Present:**

*Councillors Terry Hone (Chairman of Finance, Audit & Risk Committee), Fiona Hill and Alan Millard.  
4 members of the public.*

#### 63 APOLOGIES FOR ABSENCE

There were no apologies for absence.

#### 64 MINUTES - 16 OCTOBER 2017

**RESOLVED:** That the Minutes of the meeting of Cabinet held on 16 October 2017 be approved as a true record of the proceedings and signed by the Chairman.

#### 65 MINUTES - 21 NOVEMBER 2017

**RESOLVED:** That the Minutes of the meeting of Cabinet held on 21 November 2017 be approved as a true record of the proceedings and signed by the Chairman.

#### 66 NOTIFICATION OF OTHER BUSINESS

The Chairman gave notice that she had accepted an urgent item of Part 1 business in respect of North Hertfordshire Museum and Hitchin Town Hall: Acquisition of 14/15 Brand Street. The Proper Officer was satisfied that, in accordance with Section 15 (Paragraphs 15.5.1 and 15.5.2) of the Council's Constitution, the report was genuinely urgent and could not be delayed until a later meeting because of the need to secure ownership of the properties and safeguard the Council's substantial interest. The report had been tabled as Item 12.

#### 67 CHAIRMAN'S ANNOUNCEMENTS

- (1) The Chairman announced that Members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting, but she asked them to not use flash and to disable any beeps or other sound notifications that emitted from their devices. In addition, the Chairman had arranged for the sound at this particular meeting to be recorded;

- (2) 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; and
- (3) The Chairman asked that, for the benefit of any members of the public present at the meeting, Officers announce their name and their designation to the meeting when invited to speak.

## 68 PUBLIC PARTICIPATION

The meeting was addressed by Mr Charles Bunker (on behalf of Stephen Pike – Hitchin Town Hall Limited) and Mr David Leal-Bennett (Hitchin Town Hall Finance Limited) in respect of the North Hertfordshire Museum and Hitchin Town Hall – 14/15 Brand Street.

### (a) Mr Charles Bunker (on behalf of Mr Stephen Pike)

Mr Bunker advised that unfortunately Mr Pike had been detained on another important matter. He had asked Mr Bunker to convey his apologies for absence and to read out the following statement on his behalf:

“Dear Cabinet Members

As Chairman of Hitchin Town Hall Ltd, a registered charity, I represent my members and the community groups of Hitchin.

You are all aware that I am legally bound to comply with our charitable objects and charity law and to consider the assets and liabilities of Hitchin Town Hall Ltd, including the Development Agreement, property, debtors and creditors.

I believe that we all accept that there must be ‘robust’ protection of the Town Hall.

You will recall that when I presented to you in August I stated:

“Mr Scholes turned down the detailed documentation stating that this was a direct result of his discussions with the “Executive Members” where the “implications” had been discussed. There was absolutely no attempt at any compromise, just a statement saying that NHDC “best considerations” would not be met!”

Fortunately we have moved on from this point.

Our lawyer, who deals with numerous Local Authorities, wrote to NHDC lawyers to explain that the original proposal was indeed permissible and acceptable. Nevertheless, we have now agreed a 5 year rolling notice period should NHDC ever decide to sell the buildings. This would give sufficient time for Community Groups to raise funds to purchase the buildings should they wish.

To take this forward a meeting was set up in my offices on Friday 15th December.

Prior to that David Leal-Bennett had numerous discussions with our lawyers to see how far we could move towards dealing with the concerns of NHDC; we were convinced that we had achieved that. We even had a last minute chat with them just to clear up a potential sticking point and we had agreed a way that would work for NHDC.

We were therefore astounded that Mr Scholes and his assistant did not even sit down but stood in the meeting room for some 10 minutes stating that they could not proceed unless David Leal-Bennett withdrew and John Ray attended. We explained how close we were to a deal and that this stance appeared to be personal.

I clarified Mr Leal- Bennett's role in detail since he has been endeavouring to find a solution and has been the lead on the legal documentation. I further explained that John and I had other skills but were not well versed in the minutiae and impact of certain wording.

Mr Scholes then stated that he had been given the remit by Full Council /Cabinet to only negotiate with John and me. I stated that, as far as I was concerned, this was just not the case.

Mr Leal-Bennett has always been in the background and John's main role was to negotiate the price of £550,000 plus some broad legal parameters. It was pointed out that all three of us met with Norma Atlay some months ago, again because of the complexity of the Development Agreement to which Mr Leal- Bennett was closest. Hitchin Town Hall Ltd is a Registered Charity and has to ensure that it fields the best and most knowledgeable professionals.

The Chief Executive then walked out, refusing to call his political masters.

For the Chief Executive of NHDC to behave in such a manner, no matter on whose orders or remit, is totally unprofessional. He has caused embarrassment, wasted our time and I believe exceeded his authority. This behaviour is not conducive to making progress and only delays matters further.

I understand Mr Scholes was tasked with getting the deal done once the price had been agreed, not dictate who should sit on the other side of the negotiating table.

For Mr Scholes to say it is not personal is a fallacy, since it clearly is just that. I suspect he was not prepared to report back the attendees to the relevant 'Executive Members'.

I expect an apology, or at the very least a statement from him, saying he was misinformed.

If NHDC are serious in concluding negotiations I suggest that this approach be changed immediately and we get on with finalising the documentation, adopting a professional approach.

When I last presented I made the following, still pertinent, points:

- This is not just a sale of 14/15 Brand Street, it is meant to:
  1. Draw a line under the Development Agreement.
  2. Ensure that there will not be any legal claim against NHDC.
  3. Pass the title of 14/15 Brand Street to The Workmen's Hall Trust.
  4. Ensure the Town Hall is always a Community Asset and cannot be sold off for development.

This valuable Community Facility for North Herts has had a considerable amount of taxpayers' money spent on it and must remain as an asset for the community.

I would urge you all, not to leave this to just a few members who seem to have a different agenda, but to make it happen for the good of everyone in North Herts.

Thank you."

(b) Mr David Leal-Bennett

Mr Leal-Bennett advised that in the summer he reported that "There has been a lot of misinformation circulating", unfortunately this still seems to be the case with a blame culture rather than a proactive "lets work together" approach.

Mr Leal-Bennett was extremely concerned that officers appeared to continue to report their version of events rather than facts.

By way of example, just before Mr Leal-Bennett went away on holiday Stephen Pike sent a detailed email to NHDC with an attached document. Unfortunately, the attachment was omitted, but rather than simply respond, as any reasonable person would do, saying it was missing, please send again, officers did nothing.

The next thing Mr Leal-Bennett heard was that Cllr Shakespeare-Smith, at a Hitchin councillors' surgery, was very vocal on the negotiations, blaming HTH Ltd for delays; Mr Leal-Bennett was really surprised that he went into such detail. Blame culture rather than the facts.

Mr Leal-Bennett stated that last week a conference call with the Chief Executive was arranged for between 5:00pm and 5:15pm, but when he and Mr Pike phoned there was no reply; they tried for half an hour. The following day they received an apology, but how about a text or quick phone call.

Having undertaken a considerable amount of work with lawyers, Mr Leal-Bennett advised that a meeting was set up last Friday (15/12) with the Chief Executive; he walked out because he wanted to negotiate with people other than those present.

Mr Leal-Bennett considered that this was not professional and is no way to conduct negotiations.

In his considerable business career Mr Leal-Bennett had never entered into discussions or negotiations (corporate, commercial, private or otherwise) where that person or organisation dictated the participants attending from the other side. He felt this to be arrogant in the extreme. Who on earth did the Chief Executive think he is?

In adopting this stance Mr Leal-Bennett felt that the Chief Executive had insulted him in front of a business partner and questioned his integrity; he considered this to be a personal vendetta of which he and Mr Pike had had enough.

If the Chief Executive had taken this action of his own volition then Mr Leal-Bennett called for an apology. If he was directed to behave in this way by poorly qualified elected Members who did not wish these discussions to succeed, then he called for those elected Members to seriously consider their position. Either way there could be no continuation of this approach. If NHDC did not want to settle this then tell them now and they would make other arrangements.

Mr Leal-Bennett repeated that HTH Finance Ltd was not making any money; in negotiations with NHDC they had agreed to take a "haircut" to secure a deal. This was because the business backers wished the Town Hall to always be available for the community of North Hertfordshire.

Mr Leal-Bennett commented that, let there be no doubt, if it were not for HTH Finance Ltd the site would have been developed. NHDC were informed they were "a significant under bidder".

Mr Leal-Bennett stated that HTH Ltd and HTH Finance Ltd wished to enable the Museum to be open and the Town Hall secured for future community use.

Mr Leal-Bennett was of the view that the Cabinet, as representatives of the 'Community of North Herts', needed to have a professional discussion, without bigotry or personal animosity impacting.



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Mr Leal-Bennett asked the Cabinet to instruct its officers to “make it happen”. Their experienced Local Authority lawyer had said that the Cabinet was able to do this deal. This was now the Cabinet’s decision. The directors of HTH Finance Ltd were ready to sign.

The Chairman stated that when she was asked if she would agree to speakers wishing to address the Cabinet she usually asked Committee Services officers to ask the speakers for details as to what they would be talking about. What she had been advised that Mr Leal-Bennett would be speaking about was not what he had just presented. She would therefore be ensuring that speakers attending future meetings would adhere to the subject matter about which they had pre-advised that they would be speaking.

The Executive Member for Leisure advised that she had taken exception to the comment made by Mr Leal-Bennett in his presentation about “poorly qualified elected Members”, and had found this comment to be offensive. She asked Mr Leal-Bennett to withdraw the comment.

Mr Leal-Bennett agreed to withdraw the comment.

**69 ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 18 DECEMBER 2017 - RISK MANAGEMENT UPDATE**

The Chairman of the Finance, Audit and Risk Committee presented the following referral from that Committee, made at its meeting held on 18 December 2017, in respect of Risk Management Update (Minute 55 refers):

**“RECOMMENDED TO CABINET:** That the changes to the Risk and Opportunities Management Strategy (Appendices B to the report) and Policy (Appendix D to the report) be approved.”

The Executive Member for Finance and IT commented that he had no difficulty in supporting the recommendation of the Finance, Audit and Risk Committee.

**RESOLVED:** That the changes to the Risk and Opportunities Management Strategy (Appendix B to the report) and Policy (Appendix D to the report) be approved.

**REASON FOR DECISION:** To monitor the effective development and operation of risk management.

**70 ITEM REFERRED FROM FINANCE, AUDIT & RISK COMMITTEE: 18 DECEMBER 2018 - DRAFT BUDGET 2018/19**

**RESOLVED:** That consideration of this referral takes place in conjunction with agenda item number 9 (see Minute 72 below).

**71 STRATEGIC PLANNING MATTERS**

The Executive Member for Planning and Enterprise presented the report of the Head of Development and Building Control informing Members of the current position regarding the Duty to Co-operate with neighbouring authorities; Other Local Plans and Examinations; North Hertfordshire Local Plan; Neighbourhood Plans; Government announcements; and HCC Local Transport Plan (LTP4).

The Executive Member for Planning and Enterprise updated the Cabinet as follows:

- Central Bedfordshire Local Plan – a duty to co-operate meeting had been held earlier in the day. Central Bedfordshire Council would be going out for consultation on its Submission Local Plan on 3 January 2018 for 6 weeks. Following responses to that

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consultation, the Council was planning to approve the Submission Local Plan on 29 March 2018;

- East Hertfordshire Local Plan – results of the Part 2 Local Plan Examination were awaited;
- Welwyn Hatfield Local Plan – further hearings would take place in January, February and March 2018;
- Stevenage Local Plan – the Inspector’s report had been prepared ready for adoption by the Council, but the Local MP had asked the Secretary of State to intervene, and he had issued a holding direction, pending a review of the Plan;
- St. Albans Local Plan – an Issues and Options consultation was to be carried out in January/February 2018. The likely housing target would be 913 new homes per annum, which equated to 14,608 homes over the proposed Plan period of 2020-2036.

In respect of the North Hertfordshire Local Plan, the Executive Member for Planning and Enterprise advised that this had been and continued to be a very trying process. The timetable had been revised to accommodate some additional sessions, and to move all of the site specific issues to February/March 2018. Some of the previous sessions had not been completed in time, and so two extra weeks of hearings had been scheduled (one in January 2018, so that the key issues could be dealt with before any site specific matters were discussed).

The Executive Member for Planning and Enterprise explained that the Council had a number of proposed major modifications that needed further work. As there were to be major modifications, at the conclusion of the Examination process and receipt of the Inspector’s report, these modifications would need to go out to full public consultation over a 6 week period. It was therefore unlikely that NHDC would be reaching Local Plan adoption stage in 2018, more likely in early 2019.

The Executive Member for Planning and Enterprise reported that the draft London Plan was open for consultation until 5 March 2018. The ten year housing target was 649,350 new homes (64,935 per year). Much of that new housing would be expected to be accommodated outside of London.

The Executive Member for Planning and Enterprise advised that there was an £11Million Planning Delivery Fund to be bid for in joint working, design quality and innovation. NHDC would be looking to submit a bid in association with partner authorities via the Hertfordshire Infrastructure and Planning Partnership (HIPP), the closing date for bids being 11 January 2018.

The Executive Member for Planning and Enterprise referred to the London Luton Airport Visioning document that had been released during the week commencing 11 December 2017. This was the Airport’s vision for sustainable growth up to 2050. In 2014 planning permission was granted to enable the Airport to increase its capacity to 18 million passengers per annum. It had been originally forecast that this capacity would be achieved by 2026/27, but due to passenger increases over the past few years, the Airport was now expected to reach that capacity within the next 3 years. The capacity of the existing runway was 36-38 million passengers per annum, which the Airport had estimated could be reached by the late 2030s/early 2040s.

The Executive Member for Planning and Enterprise drew attention to the New Towns Act: Local Authority Oversight Regulations consultation paper, which was to be published on 2 January 2018. It sought views on how local authorities would oversee development in areas designated as New Towns. The proposal was akin to the former development Corporations system, and each area would need to be designated as a New Town by the Secretary of State. It would be up to the local authority or authorities covering the area to request the establishment of any New Town Development Corporation. Officers would be looking at the detail of the consultation paper before a decision would be taken on whether or not to respond.

In respect of planning fees, the Executive Member for Planning and Enterprise advised that the House of Lords had just debated the Regulations pertaining to this matter, including the possibility for increased fees and the introduction of a new fee for prior approval of permitted development. The House of Commons would be asked to approve the changes in the near future.

At the Chairman's request, the Executive Member for Planning and Enterprise referred to the National Infrastructure Commission (NIC) final report Partnering For Prosperity: A new deal for the Cambridge – Milton Keynes – Oxford Arc, was published in November 2017. The arc was defined as stretching around 130 miles from Cambridge, via Bedford, to Oxford. Whilst the maps within the report were not of a sufficient scale to accurately plot the arc, it appeared to encompass the majority of North and East Hertfordshire and all of Luton and Stevenage.

The Executive Member for Planning and Enterprise stated that the NIC report identified the key infrastructure projects of East West Rail and the Oxford – Cambridge Expressway as a once in a life time opportunity. It recommended delivery of these projects as part of a single, integrated programme focused on identifying and exploiting major development opportunities, from smaller scale garden towns of around 10,000 homes through major urban extensions to new city-scale developments of up to 150,000 homes. Whilst the NIC report was optimistic that Government and local authorities would reach agreement on the scale and location of these new settlements, it suggested that given the importance of the arc to the United Kingdom's future prosperity, the Secretary of State must retain the power to designate new settlements in the national interest.

The Executive Member for Planning and Enterprise explained that the report stated that the most effective way to translate any arc-wide vision into policies and plans that guide the development of cities, towns and villages was through the preparation of statutory spatial plans. But then warns that any vision for the arc risks being lost if its practical expression required up to thirty separate local plans: each articulated at the district level and each focused on allocating land to meet specific local housing and employment needs. As such, it proposed, as an alternative, to develop plans at the 'larger than local' level, through local authorities and Local Enterprise Partnerships working collectively to agree a definition for sub-regional planning areas by April 2018. If agreement cannot be reached by this date, then the report recommended that the Secretary of State should define the sub-regions based on consideration of the best areas for joined up economic, transport and land-use planning.

The Cabinet felt that, in order to protect the District's interests, it was imperative that NHDC should be represented in the discussions regarding the Arc leading up to the April 2018 deadline for definition of the sub-regional planning areas and beyond. In view of the concentration of resources within the Planning Policy Team on work in association with the Local Plan Examination, it was felt that appropriate resources (if necessary using consultants) should be made available urgently should the Council need to defend its position at any forthcoming discussions/meetings regarding the Arc.

It was therefore agreed that a financial risk be built into the Budget regarding any urgent resources required to supplement the work of the Planning Policy Team on other emerging matters, such as the Oxford/Milton Keynes/Cambridge Arc, whilst the Local Plan Examination was taking place, and the Head of Development and Building Control be requested to submit a report on this matter to the March 2018 meeting of the Cabinet.

**RESOLVED:**

- (1) That the report on Strategic Planning Matters be noted; and
- (2) That a financial risk be built into the Budget regarding any urgent resources required to supplement the work of the Planning Policy Team on other emerging matters, such as the Oxford/Milton Keynes/Cambridge Arc, whilst the Local Plan Examination was

taking place, and the Head of Development and Building Control be requested to submit a report on this matter to the March 2018 meeting of the Cabinet.

**REASON FOR DECISION:** To keep the Cabinet informed of recent developments on strategic planning matters and progress on the North Hertfordshire Local Plan.

## 72 DRAFT 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 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;  
Appendix C – Capital Investment proposals;  
Appendix D – Notes of November Member Workshops (Revenue Efficiencies and Investments);  
and  
Appendix E – Notes of November Member Workshops (Capital).

The Chairman of the Finance, Audit and Risk Committee presented the following referral from that Committee, made at its meeting held on 18 December 2017, in respect of the Draft Budget 2018/2019 (Minute 56 refers):

**“RECOMMENDED TO CABINET:** That the following comments of the Finance, Audit and Risk Committee be taken into consideration by the Cabinet during its deliberations on the Draft Budget for 2018/2019:

- E9 – Cessation of Area Committee Grants – not totally supported, as the savings figure is shown for 2018/19 onwards, and yet no mechanism is in place to supersede the Area Committee Grants process;
- E11 – Cease the provision of Christmas trees in Town Centres – further discussion should take place with Town Centre Managers with a view to the Town Centre Partnerships/BID organisations taking over this provision;
- ECP12/NCP7/ECP13 – various items relating to or linked to the Lairage Car Park in Hitchin – in view of the relatively low level of use of this Car Park, consideration be given to the completion of the Parking Strategy before (and if) these items were implemented; and
- General – the appendices should be revised at final draft Budget stage to group together the items under common or related themes, rather than being ordered by value.”

The Executive Member for Finance and IT thanked the Finance, Audit and Risk Committee for its recommendations, and commented that they would be taken into account when Cabinet considered the efficiency and investment proposals later in the item.

The Executive Member for Finance and IT referred to the addendum report tabled at the meeting, which provided updated information pursuant to the Government’s Provisional Local Government Finance Settlement announced earlier in the day.

In respect of the impact of the information contained in the addendum report on the Councils’ draft Budget for 2018/19, the Head of Finance, Performance and Asset Management advised that whereas the Council had previously been subject to a cap on Council Tax increases of 2% or £5, the Provisional Settlement now permitted District Councils to increase Council Tax by up to 3%. The Council’s Medium Term Financial Strategy stated that NHDC would increase its Council Tax each year by the maximum amount allowed. It had been assumed that the 3% increase would be a one-off, and would therefore result in an estimated £75,000 additional income for 2018/19.

The Head of Finance, Performance and Asset Management further advised that the Council had been unsuccessful in its joint bid with other Hertfordshire authorities to be a Business

Rates Pilot. There may be another opportunity to apply for 2019/20. In respect of negative Rate Support Grant, which the Council would be facing from 2019/20 onwards, he stated that the department for Communities and Local Government would be looking at fair and affordable options for dealing with this matter. There was also a consultation paper on Business Rate retention, the contents of which had yet to be considered.

In respect of the main report, the Executive Member for Finance and IT stated that it was his view that MHDC should be increasing its Council Tax for 2018/19 to the maximum amount allowed (ie. 3%), subject to the final approval of the Council in February 2018.

The Executive Member for Finance and IT advised that NHDC had made very significant savings over the past few years, and that this would need to continue. Excluding specific grants, the amount of money which the Government made available to the Council was reducing from £4.7Million in 2017/18 to under £3Million in 2021/22. It would therefore be increasingly difficult for the Council to continue provide the level of services currently expected to be delivered by residents.

The Executive Member for Finance and IT explained that there was continued uncertainty regarding the New Homes Bonus and Business Rates retention. Table 5 of the report listed the various specific reserves held in the Budget, with the bulk of the reserve for the Town Wide Review being in connection with the completion of work on the Royston Car Parking Review.

In relation to Paragraph 8.4.3 of the report regarding the Joint Waste Contract, the Head of Finance, Performance and Asset Management informed Members that accounting regulations required that for contracts which contained significant capital elements, in this instance refuse vehicles, the accounts needed to reflect that the Council effectively controlled and owned those vehicles. Therefore, the Council was required to treat them as capital assets. The Joint Waste Contract cost was unchanged, but part of that cost would be treated as capital expenditure. Accordingly, it provided the Council with greater flexibility in the financing of the contract, with a reduced revenue cost, which would be placed in a revenue reserve for the potential purchase of new vehicles in the future.

In respect of the recommendations of the Finance, Audit and Risk Committee, the Executive Member for Finance and IT advised that he would be discussing with officers if there was a clearer way of presenting the Budget appendices. With regard to the Lairage Car Park, he felt that it would be inappropriate to defer all spending on the car park for safety reasons. He was content to remove the proposed efficiency saving on Christmas trees. There was still the intention to provide a replacement mechanism for the approval of the grants currently approved by Area Committees.

The Executive Member for Finance and IT took the Cabinet through the list of efficiency and investment proposals set out in Appendices B and C of the report, and a number of amendments were made, as set out in Resolution (6) below.

In relation to capital funding, the Executive Member for Finance and IT commented that the Council had invested significant amounts of capital money in the District and would continue to do so. However, the Council was reaching the stage where capital assets could be depleted to such an extent that alternative sources of funding may need to be investigated.

**RESOLVED:**

- (1) That the announcements made in the Local Government Provisional Finance Settlement be noted;
- (2) That the estimated position on the Collection Fund and how this will be funded be noted;

- (3) That Cabinet's view is that a 3% increase in the level of Council Tax for 2018/19 would be appropriate;
- (4) That the position relating to the General Fund balance be noted, and that due to the risks identified a minimum balance of £1.76 million is recommended;
- (5) That any revenue savings arising from the capitalisation of waste vehicle costs be transferred to a specific reserve;
- (6) That the inclusion of the savings and investment proposals set out in Appendix B of the report be noted, and the following amendments made:
  - E2 – Cessation of summertime out of hours noise service – removal of this item from the list;
  - E11 - Cease the provision of Christmas trees in town centres – removal of this item from the list;
  - E21 – Charging for Garden Waste – figures would need amending should Cabinet approve the £35 one-off “early bird” introductory price later in the meeting;
  - PE8 – Four yearly District Council Elections – Council be recommended to remove this proposal when the Final Budget for 2018/19 is approved in February 2018;
  - PE23 – Proposed NHDC Lottery – Council be recommended to defer as a saving for 2018/19 and retain on the list for 2019/20;
  - PE25 – Replace Area Committees with a more informal alternative – Council be recommended to defer as a saving for 2018/19 and retain on the list for 2019/20;
- (7) That the inclusion of the Capital investment proposals set out in Appendix C of the report be noted, and the following amendments made:
  - ECP11 – Capitalised Pension Fund Contribution – Council be recommended to defer as an investment for 2018/19 and retain on the list for 2019/20;
  - General – the ordering of the list of items contained in the appendix be revised at final draft Budget stage; and
- (8) That the Council's efficiency plan be not updated.

**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.

### 73 COUNCIL TAX REDUCTION SCHEME (CTRS) 2018/2019

The Executive Member for Finance and IT presented a report of the Head of Revenues, Benefits and IT in respect of the Council Tax Reduction Scheme (CTRS) 2018/19.

The Executive Member for Finance and IT advised that no substantive changes to the CTRS for 2018/19 were proposed, only two minor revisions to ensure the consistency of the Scheme with other welfare benefit changes. A public consultation exercise had been carried out on the Scheme.

The Head of Revenues, Benefits and IT reported that there had been 72 responses to the public consultation, the majority of which had been supportive of the proposed 2018/19 Scheme.

In the light of the Government announcement regarding potential Council Tax increases, the Head of Revenues, Benefits and IT explained that this could seriously impact on the CTRS. If all 3 authorities (NHDC, Hertfordshire County Council and the Police and Crime Commissioner) increased to the maximum of their permitted Council Tax thresholds, then he

estimated that this would cost in the region of £400,000. This figure would be the reduction in the Council Tax Base for 2018/19.

**RESOLVED:**

- (1) That the position of the Council Tax Reduction Scheme for 2017/18 and previous years be noted;
- (2) That there be no substantive changes to the Council Tax Reduction Scheme for 2018/2019;
- (3) That Cabinet recommends to Council that changes be made to the Council Tax Reduction Scheme (CTRS) to implement the following, in order to ensure the consistency of the Scheme with other welfare benefit changes:
  - Capital and income payments of Bereavement Support payments should be disregarded for the purposes of the CTRS; and
  - Any payments made by the London Emergencies Trust (LET) or the We Love Manchester Emergency Fund (WLMEF) should be disregarded for the purposes of the CTRS; and
- (4) That Cabinet recommends to Council that the level of Scheme funding to be allocated to Parish, Town and Community Councils will be the same as 2017/18.

**REASON FOR DECISION:** To keep the Scheme aligned as far as possible with Housing Benefit, and to ensure that the Council complies with the requirement to ensure that a Scheme is in place by 31 January 2018.

**74 JOINT WASTE COLLECTION AND STREET CLEANSING POLICY AND CUSTOMER CHARTER**

The Executive Member for Waste Management, Recycling and Environment presented the report of the Head of Leisure and Environmental Services in respect of the proposed Joint Waste Collection and Street Cleansing Policy and Customer Charter to be operated as part of the new joint waste contract with East Hertfordshire District Council commencing in May 2018. The following appendices were submitted with the report:

- Appendix 1 – Draft Policies presented as part of the Outline Business Case (OBC) to Cabinet on 16 June 2015;
- Appendix 2 – Waste and Street Cleansing Policy Statements; and
- Appendix 3 – Waste and Street Cleansing Customer Charter.

The Executive Member for Waste Management, Recycling and Environment advised that the documents aimed to ensure a consistent approach for the Client Team working on behalf of both East Hertfordshire and North Hertfordshire District Councils. NHDC currently had a number of lengthy policies for waste and street cleansing and the proposed new policies were broadly in line with those existing policies.

The Executive Member for Waste Management, Recycling and Environment stated that draft versions of the policies had already been considered as part of the Outline Business case for the joint service presented to the Cabinet in June 2016.

The Executive Member for Waste Management, Recycling and Environment explained that the report introduced a new Customer Charter, which would support the Council's Customer services Policy, aiming to provide reassurance to residents on the standards of service they should expect in the new contract.

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The Executive Member for Waste Management, Recycling and Environment commented that the report outlined proposals for the new charging for collection of garden waste service, also scheduled to commence in May 2018. In particular, he drew attention to the proposed introduction of a reduced one-off “early bird” charge of £35 per annum for households signing up to the service in advance of the May 2018 start date. The effect of this would be to give the Client Team, and contractor the best opportunity to prepare for service commencement, in obtaining an early indication of the number of participating households and allowing for collection routes to be organised.

For those households who decided initially to not participate, but changed their minds after the commencement date, the Executive Member for Waste Management, Recycling and Environment advised that there would be a reduced charge sign up for anyone wishing to join after 1 November each year. The report did not propose the introduction of concessions. The service would remain voluntary and hence the cost and administrative complexity of handling concessions would be prohibitive.

The Executive Member for Waste Management, Recycling and Environment thanked officers of both North Hertfordshire and East Hertfordshire District Councils for their professionalism and dedication in 2017 and before in leading up to the current position, and hoped that this would continue to be the case in the final lead up to and commencement of the new joint contract in May 2018.

**RESOLVED:**

- (1) That the Waste Collection and Street Cleansing Policy Statements, as set out in Appendix 2 to the report, be agreed;
- (2) That the Waste and Street Cleansing Customer Charter, as set out in Appendix 3 to the report, be agreed;
- (3) That a one off “early bird” introductory price of £35 for residents signing up to payment by direct debit before 31 March 2018 for the charged garden waste collection service be agreed; and
- (4) That responsibility be delegated to the Head of Leisure and Environmental Services, in consultation with the Executive Members for Waste Management, Recycling and Environment in respect of:
  - (a) Agreeing terms and conditions for the garden waste collection service; and
  - (b) Agreeing, in consultation with East Hertfordshire District Council, the fees and charges for 2018/19 with regard to Waste Services, in particular collection of Bulky Waste.

**REASON FOR DECISION:** To provide clarity to residents on the service standards and access to services; and to encourage the reduced “early bird” introductory price for the new garden waste collection service to ensure that levels of take up can be assessed in sufficient time to enable adequate assets and resources to be made available to residents who request the service.

**75 NORTH HERTFORDSHIRE MUSEUM AND HITCHIN TOWN HALL - ACQUISITION OF 14/15 BRAND STREET**

[Prior to the consideration of this item, Councillors Bernard Lovewell, Ray Shakespeare-Smith and Michael Weeks declared that they would be withdrawing from the meeting, as they were Members of the Cabinet Sub-Committee (Council Charities), which was responsible for making decisions on the North Hertfordshire Museum and Community Facility on behalf of the Hitchin Town Hall: Gymnasium and Workmans Hall Trust. Accordingly, they withdrew from the meeting.]



The Chief Executive presented an urgent report regarding the North Hertfordshire Museum and Hitchin Town Hall – Acquisition of 14/15 Brand Street. The following appendix was submitted with the report:

Appendix A – Report and Minutes of the Cabinet meeting – 28 March 2017.

The Chief Executive began with an apology. When he had brought a similarly urgent item on this matter to the 28 March 2017 Cabinet meeting, both himself and the former Chief Financial Officer believed at the time that they were within grasp of completing a transaction to acquire 14/15 Brand Street. The passage of time over the past 9 months had shown that not to be the case, albeit that officers had tried at all points to reach a conclusion.

The Chief Executive explained that, following the 28 March 2017 Cabinet decision, it had been anticipated that the purchase transaction would be completed in early May 2017. The relevant documents had been prepared by the Council for consideration by Hitchin Town Hall Limited (HTHL) and Hitchin Town Hall Finance Limited (HTHFL) within 2 weeks of the 28 March 2017 meeting. In early May 2017, HTHL called an extraordinary meeting of their members, although it took until the end of July 2017 to elicit their views on the draft documentation.

The Chief Executive considered that the general position was that it had been turbulent in terms of the progression of discussions. Even following representations made at the 31 August 2017 Full Council meeting and some further meetings with HTHL and HTHFL, officers felt that there was still a substantial amount of progress to be made in order to reach the end point of an agreeable transaction.

Following the meeting of Council on 31 August 2017, there had been further negotiations and a revised agreement reflecting those discussions was sent to HTHL and HTHFL on 20 October 2017. That agreement as drafted would be acceptable to the Council and reflected the negotiations. Further revised versions provided to the Council on 28 November 2017 by HTHL and HTHFL had a number of fundamental issues to which the Council could not agree.

The Chief Executive explained that the negotiations with HTHL and HTHFL had been very difficult. When negotiations commenced in September 2016, the Council was very clear on the terms in which it was going to conduct those negotiations.

In respect of the comments made under Public Participation earlier in the meeting regarding the proposed acquisition, the Chief Executive stated that Mr Bunker (on behalf of Mr Pike) had made reference to the transfer of the property to the Workmans Hall Trust. This had been part of the ongoing dialogue with HTHL and HTHFL, although it would not be the Council's intention that this would be the case, given that the Council would have to pay for the acquisition of the property. In discussions with the Council's external auditors, retaining the property in Council ownership would be appropriate, with the land on which they were situated being passed back to the Trust.

In relation to the comment made by Mr Bunker that the agreement would ensure that the Town Hall could not be sold off, the Chief Executive clarified and confirmed that there would be a rolling 5 year commitment to operate the facility, whereby the Council could give notice if it was intending not to extend that commitment for a further rolling period.

With regard to the negotiation meetings, the Chief Executive considered that these were confirmed at each and every stage of the negotiations in writing to HTHL and HTHFL. In the middle of the week commencing 11 December 2017, the Chief Executive was alerted that, contrary to the previous agreement, Mr Leal-Bennett was endeavouring to contact him for conference calls. He was not available when Mr Leal-Bennett made these approaches, but he did speak to Mr Pike on the afternoon of 13 December 2017. The Chief Executive had advised that he was happy to talk to him then, but Mr Pike had replied that it was not

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convenient for him. Subsequent events had precluded the Chief Executive from having a telephone discussion with Mr Pike.

The Chief Executive confirmed that the scheduled meeting on 15 December 2017 had not taken place, and if there were technical and legal issues, as asserted when he and the Chief Financial Officer had attended Mr Pike's office on that day, then perhaps it would be better if those matters could be dealt with by the respective legal advisors. That approach was not supported by the other parties. The Chief Executive was reminded of a number of Project Board meetings where representatives of HTHL and HTHFL were "parachuted" in and out of meetings, which meant that negotiations were not always conducted in a co-operative and productive manner.

The Cabinet Chairman referred to the comment made by Mr Leal-Bennett that the Council had not given the Chief Executive and Chief Financial Officer instructions to carry out the negotiations. Her understanding from September 2016 was that who should undertake the negotiations was a request from HTHL, with a specific comment that they did not wish elected Members to be party to the negotiations. Therefore, the Chief Executive and Chief Financial Officer were chosen to fulfil that role.

The Executive Member for Community Engagement and Rural Affairs stated that the Council's Legal Team appeared to be able to turn things around in days, whilst the Council had to wait for weeks for a response from HTHL and HTHFL, only to see documents returned which were essentially documents to which the Council had already stated that it could not agree, and with even more clauses and additions.

The Executive Member for Community Engagement and Rural Affairs supported the recommendations contained in the report, and considered that the Council should continue to come to an agreement, but should also investigate the possibility of other courses of actions, such as use of Compulsory Purchase powers, in trying to conclude the issue.

The Executive Member for Finance and IT stated that it was not the Council's practice to simply give control of its assets to third parties. The Council needed to protect its assets to use for the benefit of all North Hertfordshire residents. There would no doubt be problems with the Council's external auditors should it cede control of its assets in the manner suggested by HTHL and HTHFL.

The Executive Member for Finance and IT took serious exception to the personal abuse directed at the Chief Executive earlier in the meeting. The speakers were entitled to their views about how meetings should be conducted, but the Council had to operate within certain guidelines. He did not feel that it was reasonable for any officer of the Council to be subject to those sort of comments. It concerned him that the Chief Executive was being asked to go back into negotiations with HTHL and HTHFL and felt that he would be within his rights to decline to do so.

The Chief Executive stated that it was partly due to the Council's duty of care to its employees, given the history of matters relating to the Hitchin Town Hall/Museum, that he agreed with the view on the negotiation arrangements. He was mindful of the protection of staff from inappropriate comments. He would therefore be reflecting on the evening's discussion in order to consider how best to move forward the Council's position to secure 14/15 Brand Street in an acceptable way. It may perhaps be more appropriate and productive for another party to be involved in any ongoing negotiations.

The Executive Member for Finance and IT found it difficult to believe some of the comments made by the speakers under Public Participation. HTHL and HTHFL had been partners who had been under no compunction whatsoever to restrict the information they had chosen to put into the public arena, knowing full well that the Council could not or would not respond in a like manner. However, it was still the case that the Council needed to find the best possible way forward on the matter, and it remained his belief that a sensibly negotiated agreement with

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HTHL and HTHFL was possible, provided it did not compromise the fundamental principles upon which the Council had to operate.

The Cabinet supported the comments of the Executive Member for Finance and IT, but agreed that a fall back position was required should agreement fail to be reached.

**RESOLVED:**

- (1) That the protracted period over which the negotiations have been taking place be noted;
- (2) That officers be instructed to prepare a full report for the next Cabinet meeting with any revised proposal and to determine whether the proposal is acceptable;
- (3) That the alternative options to a negotiated acquisition from Hitchin Town Hall Limited (HTHL) be further explored and be included in the report to Cabinet; and
- (4) That it be noted that approval of some elements of the agreement may be required from the Cabinet Sub-Committee (Council Charities).

**REASON FOR DECISION:** To enable the Council to complete the development of the North Hertfordshire Museum/Hitchin Town Hall project as intended by Council and operate the facility for the benefit of the local community; and to protect the Council's interests and obtain best return from the Council's existing investment and to secure projected income from the facility to offset some of the operational and fixed costs.

The meeting closed at 10.10 pm

Chairman

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## CABINET

### 23 JANUARY 2018

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <span style="font-size: 2em; font-weight: bold;">6A</span>
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**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 22 JANUARY 2018 – DRAFT REVENUE BUDGET 2018/2019**

*The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 22 January 2018.*

**66. DRAFT REVENUE BUDGET 2018/19**

The Head of Finance, Performance and Asset Management presented a report in respect of the proposed Revenue Budget for 2018/19.

The Head of Finance, Performance and Asset Management advised that he would be focussing on the changes to the draft Revenue Budget since the last meeting of the Committee in December 2017.

The Head of Finance, Performance and Asset Management referred to paragraph 8.2.5 and Table 3 of the report, which confirmed that the additional flexibility for Councils to increase their Council Tax by up to 2.99% was for two financial years (2018/19 and 2019/20). Therefore, as per the Council’s Medium Term Financial Strategy, the financial modelling assumed that the increase would apply for those two years.

The Head of Finance, Performance and Asset Management drew attention to Paragraph 8.3.5 and Table 6 of the report, which set out the level of budget risks. There had been an increase in the risk allowance to reflect changes in planning, both in relation to the North Hertfordshire Local Plan Examination (which was taking longer than originally anticipated) and other emerging planning issues, such as the Oxford-Cambridge Arc and London expansion. The need to respond to those issues and promote the views of NHDC had been identified.

The Head of Finance, Performance and Asset Management advised that Table 7 of the report highlighted the larger variances found in the review of the 2017/18 budget at the end of Month 8 (November 2017). The impact on the 2018/19 budget of a reduction in expenditure of £82,000 was relatively small and had been built into forecasts.

In respect of Paragraph 8.5.3 and Table 8 of the report, the Head of Finance, Performance and Asset Management advised that this detailed the changes made by the Cabinet at its December 2017 meeting. Some of these had now been reflected in the budget as these were within the Cabinet’s remit to change, whilst others would require the approval of the Full Council in February 2018. The impact of these proposals was shown in Table 8.

The Head of Finance, Performance and Asset Management stated that Section 8.6 and Appendix 1 of the report summarised the budget position, and included a forecast of the remaining savings that the Council still needed to identify by 2021/22, which were expected to be around £150,000. However, this amount could be significantly affected by a number of factors, including changes to the way New Homes Bonus was calculated in future years; changes to the Fair Funding Formula, which was currently being consulted on by the Department for Communities and Local Government (now Ministry for Housing, Communities and Local Government),

with any changes likely to be implemented from 2020/21; and the successful delivery of the savings included within the budget forecasts.

In response to issues raised by the Committee Chairman, the Head of Finance, Performance and Asset Management predicted a surplus of around £200,000 on the Council Tax Collection Fund at the end of 2017/18, which would be retained in the Fund for 2018/19. He confirmed that work had already commenced on the Third Quarter Monitoring report, and to date no unexpected issues had been identified.

Some Members expressed continued concern about Efficiency E9 (Cessation of Area Committee Grants), in that whilst it was welcomed that Cabinet had taken on board the fact that there was no agreed replacement for Area Committees and had deferred the matter for a year, they felt that this efficiency saving was the first step in the dissolution of the Area Committees by transferring the grants budget to a Member Panel, in advance of the discussion and decision on any replacement mechanism for Area Committees. Those Members felt that the grants budget should remain with Area Committees for 2018/19.

Further concern was expressed by a Member about the grant-making process. He felt that a more cost effective way of administering the process should be investigated as part of any changes the Council would be making to the way the Council made grants.

In respect of Efficiency E16 (Apprenticeship Scheme), the Chairman was pleased to see that the Scheme would continue for the 2018/19 Financial Year.

In reply to a question regarding Efficiency E20 (Waste Contract Lot 2 Award), the Head of Finance, Performance and Asset Management advised that it was expected that the savings attributable to this item would be zero.

In response to queries regarding Efficiency E21 (Waste Contract – Garden Waste Charging), the Head of Finance, Performance and Asset Management explained that that the 26% take up of the scheme assumed 50% of that 26% taking up the early bird offer (estimated reduction in income of around £30,000). He added that it was his understanding that the early bird offer would be disseminated to all residents in the District by letter in early February 2018.

**RECOMMENDED TO CABINET:** That the following comments of the Finance, Audit and Risk Committee be taken into consideration by the Cabinet during its deliberations on the Draft Revenue Budget for 2018/19:

- E9 – Cessation of Area Committee Grants – concern was expressed regarding the transfer of Area Committee grants budgets to a Member Panel, in advance of the discussion and decision on any replacement mechanism for Area Committees; and as part of any changes to the grants-making process, a more cost-effective way of administering the grants should be investigated.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the proposed Revenue Budget for 2018/19.

**[Note: the matter to which this referral relates is Item 8 on the agenda.]**

<b>CABINET</b> <b>23 JANUARY 2018</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>7</b>
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**TITLE OF REPORT: STRATEGIC PLANNING MATTERS**

REPORT OF THE HEAD OF DEVELOPMENT AND BUILDING CONTROL

EXECUTIVE MEMBER: COUNCILLOR DAVID LEVETT

COUNCIL PRIORITY: PROSPER AND PROTECT

**1. EXECUTIVE SUMMARY**

1.1. The purpose of this report is to inform Members of the current positions regarding:

- Duty to Co-operate with neighbouring authorities
- Other Local Plans and Examinations
- North Hertfordshire Local Plan
- Neighbourhood Plans
- Government announcements

**2. RECOMMENDATIONS**

2.1 That the report on strategic planning matters be noted.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To keep Cabinet informed of recent developments on strategic planning matters and progress on the North Hertfordshire Local Plan.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 None.

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

5.1 The Executive Member for Planning and Enterprise has been kept informed on the matters set out above.

**6. FORWARD PLAN**

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

## 7. BACKGROUND

- 7.1 Members will be aware of, and familiar with, many of the issues surrounding the strategic planning matters referred to in paragraph 1.1 above. This report is intended to provide Members with the current positions on these matters.

## 8. RELEVANT CONSIDERATIONS

### 8.1 Duty to Co-operate with neighbouring authorities

- 8.1.1 There is nothing further to update from the December Cabinet report.

### 8.2 Other Plans and Examinations

- 8.2.1 **Central Bedfordshire Council** – The pre-submission version of their Local Plan is to be published for consultation from 10 January to 21 February 2018. Officers will prepare a representation in consultation with the Executive Member and attach a copy to a future report.

- 8.2.2 **East Hertfordshire District Council** – The Inspector at the end of November issued a post hearing note which set out:

- The way forward for Objectively Assessed Need (OAN) and housing land supply: at the start of the hearings the Inspector questioned the East Herts OAN as it was based on the 2012 household projections not the up to date recent figures of 2014. As a result further work was undertaken by East Herts resulting in an uplift to their OAN. The Inspector's note considers that this additional work means that the Council now has set out a reasonable basis for OAN which should form a Main Modification. However for ease the Inspector wishes the Council to include a minor adjustment to make the uplift 14%, circa 18,600 homes. Following on from the modified OAN the Inspector believes there should be a further Main Modification setting out the expected housing supply across the plan period and identifying a 5 year supply of housing land starting from 01 April 2017;
- Advice on and a draft timetable for Main Modifications:  
Draft Main Modifications – to the Inspector by December 2017;  
Consultation on Main Modifications – February to March 2018;  
Likely date of Inspectors report – end of April 2018.

- 8.2.3 **Welwyn Hatfield Borough Council** – A revised draft timetable has been published for Stage 3 of their examination. This stage will concentrate on strategic policies and will run from 20 February until 22 February 2018. Details of Stage 4, Site allocations, have yet to be released.

A joint hearing session involving East Herts and Welwyn Hatfield Inspectors is proposed to take place on 30 January 2018 to discuss the proposed allocation known as Birchall Garden Suburb. A new community of circa 2,500 homes within the boundaries of both authorities.

- 8.2.4 **Stevenage Borough Council** – There is no further update on the holding direction by The Secretary of State which was issued on 13 November 2017.

- 8.2.5 **St. Albans City & District Council** – At their meeting of 23 November 2017, St. Albans Cabinet resolved to undertake a Local Plan Issues and Options public consultation. The consultation is proposed to take place between January and February 2018 and include a 'call for' new housing and employment sites.



### **8.3 North Hertfordshire Local Plan**

8.3.1 Officers are working on the Hearing Statements for weeks 6 and 7 of the hearing sessions, site allocations, due for submission by Friday 12 January 2018.

### **8.4 Neighbourhood Plans**

8.4.1 The examination of the Pirton neighbourhood plan took place during November 2017 and was conducted by written representation, rather than a public hearing. During the examination, the examiner asked for some additional information which was provided by both the District and Parish Councils. The examiners report was issued on 19 December 2017, with the following recommendation: *I am therefore pleased to recommend to North Hertfordshire District Council that, subject to the modifications proposed in this report, the Pirton Neighbourhood Development Plan can proceed to a referendum.* This is covered in detail by a separate report later on in the meeting agenda.

8.4.2 Following a public consultation Wymondley Parish Council have requested that their neighbourhood plan is submitted for examination.

8.4.3 The draft Preston Parish Neighbourhood Plan is currently out for consultation from 08 January to 18 February 2018. The consultation can be found at <http://www.preston-np.org.uk/>

### **8.5 Government Announcements**

8.5.1 Brownfield Register – Local planning authorities in England are required by Regulation 3 of the Town and Country Planning (Brownfield Land Register) Regulations 2017 to prepare, maintain and publish registers of previously developed ('brownfield') land by 31 December 2017. The purpose of the Brownfield Land Register is to provide up-to-date and consistent publicly available information on sites that local authorities consider to be appropriate for residential development. Local planning authorities are required to review their registers at least once a year.

The register is compiled in two parts:

- Part 1 is a comprehensive list of identified brownfield sites which is published on the Council's website:  
<https://www.north-herts.gov.uk/home/planning/planning-policy/brownfield-land-register>
- Part 2 is a list of sites the Council considers appropriate to grant 'Permission in Principle' and is optional and the Council currently does not have a Part 2 register.

8.5.2 The New Towns Act 1981 (Local Authority Oversight) Regulations consultation was published on 04 December 2017. The consultation paper proposes that the designation of New Town Development Corporations is potentially an effective mechanism to drive forward the delivery of modern Garden Towns and Villages.

The Neighbourhood Planning Act 2017 enables the oversight of designated New Town Corporations to rest with one or more local authorities, rather than the Secretary of State as in the current New Towns Act. The 2017 Act also allows regulations to come forward to detail how that oversight role would work and these draft regulations are the subject of

this consultation paper.

The principle is that locally led New Towns will only be created where **“this has the express support of and is requested by all the local authorities, including in two tier areas the county council, covering the area to be designated for the new town.”** The actual designation will still be subject of parliamentary approval and Secretary of State consultation.

Certain functions are proposed to remain with the Secretary of State, notably the power to confirm CPO's; to amend designation boundaries; and to wind up New Towns.

The draft regulations propose that a development corporation may borrow with the consent of the oversight authority up to a £100million after which amount Treasury consent is required.

8.5.3 Planning Delivery Fund - The Government set out in the housing White Paper its strategy for 'fixing the broken housing market'. Subsequent measures set out in detail in 'Planning for the right homes in the right places' consultation, and announced at Budget 2018, are proposed to take forward the implementation of this strategy.

The £25 million of resource funding announced in the housing White Paper, is available for the financial years 2017/18 to 2019/20. The December 2017 Planning Delivery Fund prospectus identifies £11 million of funding, equally split over the financial years 2017/18 to 2018/19, to be administered under three dedicated funding streams: a Joint Working Fund, a Design Quality Fund, and an Innovation Fund. The government expects to issue a further prospectus for the remainder of the fund in due course. The current prospectus invites expressions of interest (EoI) by 11 January 2018.

An update will be given at the meeting with regard any EoI submitted by the Council.

8.5.4 Planning fee increases – the new fee regulations were made on 20 December 2017 and come into force on 17 January 2018. Primarily the regulations provide for an increase of approximately 20% for all existing application fees. This increase was offered by Government to all local planning authorities if they agreed that the additional money would be re-invested within their planning department, all local planning authorities accepted the offer.

## 9. LEGAL IMPLICATIONS

9.1 Under the Terms of Reference for Cabinet Paragraph 5.6.18 of the Constitution states that the Cabinet should exercise the Council's functions as Local Planning Authority except where functions are reserved by law to the responsibility of the Council or delegated to the Strategic Director of Planning, Housing and Enterprise.

9.2 The preparation of plans, up to and including the approval of the proposed submission documents, are Cabinet matters. Submission of the draft Local Plan to the Secretary of State for Examination and final adoption of Local Plan documents shall be a matter for Full Council.

9.3 Section 110 of the Localism Act 2011 sets out (by amendment to the Planning & Compulsory Purchase Act 2004) the duty to co-operate between local planning authorities and other prescribed bodies, to maximise the effectiveness in the preparation of development plan and other local development plan documents, so far as they relate to a strategic nature. These bodies should consider if they are able to work together

jointly on such matters and must have due regard to any guidance given by the Secretary of State.

- 9.4 The Localism Act 2011 provided a new statutory regime for neighbourhood planning. The Neighbourhood Planning (General) Regulations 2012 (as amended) make provisions in relation to that new regime. It does amongst other things set out the Council's responsibility (as the Local Planning Authority) in assisting communities in the preparation of neighbourhood development areas, plans and order and to take plans through a process of examination and referendum.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The costs of preparing the Local Plan and running the examination are covered in existing approved revenue budgets for 2017/18 and 18/19. Officers are monitoring the impact of the extended Examination and the subsequent increase in costs. A financial risk has also been included for 2018/19 for any further work, such as that associated with any modifications to the Plan that cannot be quantified at this time.
- 10.2 At its meeting of 19 December 2017, Cabinet identified a significant future risk in relation to planning policy and the emerging strategies and plans that are likely to have a significant impact on North Hertfordshire. It was determined that the Council should be able to respond to these and attempt to protect the interests of the District. In setting the budget for next year, the minimum General Fund balance is affected by an assessment of known risks. The relevant planning risk has been broadened in scope and value (to £250k) and the likelihood increased to high. As at the end of November, it is forecast that planning income will exceed the current budget by £137k (excluding the impact of the 20% increase in planning fees). It is proposed that this is put in to a reserve to provide the funding (e.g. additional officer resource, consultants) to be able to respond to and influence the plans, policies, strategies and proposals that impact the District.
- 10.3 As referenced in 8.5.4, the new fee regulations came in to force from 17 January. It is not yet known what the impact of this will be on planning fee income. However the regulations do state that the additional income should be reinvested in the planning department. Given the late announcement of this being in place and the uncertainty over the amounts involved, the scope for investing the additional income this year is very limited. It is therefore proposed that any additional 20% income received this year will be transferred into reserve so that a more planned use of it can be made in 2018/19. It is not yet clear whether there will be any further expectations from Central Government as to how the additional income can be used, monitored or reported.

## **11. RISK IMPLICATIONS**

- 11.1 No direct risk implications from this report but Sustainable Development of the District and the Local Plan are both Cabinet Top Risks. The Sustainable Development of the District has a sub-risk that covers the risks arising from the duty to co-operate with neighbouring authorities.

## **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 not considered to be any direct equality issues arising from this report. Future individual schemes or considerations may well be subject to appropriate review to ensure they comply with latest equality legislative need. Any risks and opportunities identified will also be subject to assessment for impact on those that share a protected characteristic.

### **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 There are no new human resource implications arising from the contents of this report, although the planning service is carrying a number of vacancies. Initial recruitment to these posts has been unsuccessful; however agency staff of the right experience and competencies have been employed where available to assist the team through the Examination stage of the Local Plan examination. Given the current and proposed extended timescales for the examination it is not envisaged that permanent recruitment, anticipated to commence in January 2018, can now be made to these posts in time to support existing officers.

14.2 As the Examination timetable has been extended and there is on-going work required before and out of each hearing day, Planning Policy officers are focusing full time on the Local Plan. Given this heavy and complex on-going workload that the examination process generates and the staff shortages currently within the service, it is not envisaged at this time that officers will be available or able to undertake work on any other projects. The Head of Development and Building Control and relevant service managers are meeting regularly to review workloads and will be keeping the relevant Executive Members up to date with regard the impact upon other projects and day to day workload.

### **15. APPENDICES**

15.1 None.

### **16. CONTACT OFFICERS**

16.1 Ian Fullstone, Head of Development and Building Control  
01462 474480 [ian.fullstone@north-herts.gov.uk](mailto:ian.fullstone@north-herts.gov.uk)

#### ***Contributors***

16.2 Louise Symes, Strategic Planning & Projects Manager  
01462 474359 [louise.symes@north-herts.gov.uk](mailto:louise.symes@north-herts.gov.uk)

16.3 Nigel Smith, Principal Strategic Planning Officer  
01462 474847 [nigel.smith@north-herts.gov.uk](mailto:nigel.smith@north-herts.gov.uk)

16.4 Clare Skeels, Senior Planning Officer  
01462 474424 [clare.skeels@north-herts.gov.uk](mailto:clare.skeels@north-herts.gov.uk)

16.5 Nurainatta Katevu, Property & Planning Lawyer  
01462 474364 [nurainatta.katevu@north-herts.gov.uk](mailto:nurainatta.katevu@north-herts.gov.uk)

- 16.6 Ian Couper, Head of Finance, Performance and Asset Management  
01462 474243 [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)
- 16.7 Gail Dennehy, Corporate Human Resources Business Partner  
01462 4456 [gail.dennehy@north-herts.gov.uk](mailto:gail.dennehy@north-herts.gov.uk)
- 16.8 Reuben Ayavoo, Senior Policy Officer  
01462 474212 [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

- 17.1 None.

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## CABINET

### 23 JANUARY 2018

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <span style="font-size: 2em; font-weight: bold;">8</span>
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**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.

- |  |
|--|
| <p>2.10 That Cabinet notes the savings target in future years.</p> <p>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.</p> |
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### **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 28<sup>th</sup> 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
<b>2,697</b>	<b>Funding Assessment</b>	<b>2,622</b>	<b>1,609</b>	<b>1,658</b>	<b>1,708</b>

1,992	New Homes Bonus	1,265	1,119	1,252	1,252
<b>4,689</b>	<b>Total non-specific funding</b>	<b>3,887</b>	<b>2,728</b>	<b>2,910</b>	<b>2,960</b>
	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**

	<b>2017/18 amount £'000</b>	<b>Expectation for 2018/19</b>
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.

	<b>2017/18 amount £'000</b>	<b>Expectation for 2018/19</b>
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
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)
<b>Total Revenue Grants</b>	<b>35,826</b>	

## 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%
<b>Total</b>	<b>1,614.79</b>	

**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**

	<b>Balance at 1 April 2017 £000</b>	<b>Forecast balance at 31 March 2018 £000</b>
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
<b>Total Specific Reserves</b>	<b>4,609</b>	<b>5,083</b>

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**

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

- 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**

<b>Budget Area</b>	<b>Working Budget £k</b>	<b>Forecast £k</b>	<b>Differen ce £k</b>	<b>Reason for difference</b>	<b>Carry- forward requested £k</b>	<b>2018/19 Impact £k</b>
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.	0	(50)

Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
				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.		
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)
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	0	(10)



Budget Area	Working Budget £k	Forecast £k	Difference £k	Reason for difference	Carry-forward requested £k	2018/19 Impact £k
				be done in the future will be covered by a financial risk in the risk register.		
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
<b>Total of explained variances</b>	<b>(1,521)</b>	<b>(2,145)</b>	<b>(624)</b>		<b>199</b>	<b>(35)</b>
Other minor variances	18,620	18,560	(60)		0	(47)
<b>Overall total</b>	<b>17,099</b>	<b>16,415</b>	<b>(684)</b>		<b>199</b>	<b>(82)</b>

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**

<b>Proposed Change</b>	<b>Impact in 2018/19 £000</b>	<b>Impact in 2019/20 £000</b>	<b>Impact in 2020/21 £000</b>	<b>Impact in 2021/22 £000</b>
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
<b>Increased General Fund Expenditure</b>	<b>115</b>	<b>(39)</b>	<b>89</b>	<b>89</b>

**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**

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

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

16.3 Reuben Ayavoo, Senior Policy Officer, Tel 474212, email [Reuben.ayavoo@north-herts.gov.uk](mailto:Reuben.ayavoo@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

17.1 Medium Term Financial Strategy 2018-23.

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

<b>All amounts £000</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Net expenditure brought forward	16,354	14,633	14,394	14,740
Savings previously identified (excluding Waste savings)	-378	-9	-98	0
New savings proposals	-2,301	-586	-61	-50
Adjustments reported after 2017/18 budget was set	-97	-101	-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
<b>Total net expenditure (excluding Housing Benefit subsidy)</b>	<b>14,633</b>	<b>14,394</b>	<b>14,740</b>	<b>15,086</b>
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
<b>Net funding position (use of reserves)</b>	<b>-191</b>	<b>273</b>	<b>73</b>	<b>-2</b>
General Fund b/f	7,025	7,216	6,943	6,870
General Fund c/f	7,216	6,943	6,870	6,872

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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		
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	Cessation of Area Committee Grants with 70% of the budget (52k) transferred to a Member Grants Panel to oversee a district-wide revenue grant scheme. Efficiency value does not include any estimated saving from the reduced administration and officer support to Area Committees.  <b>Note the potential overlap with NHDC Lottery</b>	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	-	-	-	-

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		
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	-	-	-	-
E16	Corporate	The discontinuation of the NHDC Apprenticeship Scheme. The existing budget provision covers the annual salary costs of eight apprenticeship posts. The discontinuation of the scheme would not affect the requirement to pay the annual apprenticeship levy (estimated £45k for NHDC).	Expenditure reduction	-	156	156	156	Capital	-	-	-	-
			Additional Income	-	-	-	-	Revenue	-	-	-	-
			Total	-	156	156	156	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	-	-	-	-
E20	Waste Contract- Lot 2 award	Potential savings from retendering, which could include reductions in materials processing costs, transportation costs or materials income. There is also the potential for further savings from a change to separate glass collection (rather than paper).	Expenditure reduction	tbc	tbc	tbc	tbc	Capital	-	-	-	-
			Additional Income	-	-	-	-	Revenue	-	-	-	-
			Total	-	-	-	-	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						
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	Revenue	-	-	-	-		
			Total	-	78	-	209	-	209	Total	-	-	-	-		
Total Net Budget Reduction			Total Expenditure reduction	-	1,948	-	2,343	-	2,354	-	2,354	Total Capital	-	-	-	-
			Total Additional Income	-	293	-	424	-	474	-	524	Total Revenue	-	-	-	-
			Total Efficiencies	-	2,241	-	2,767	-	2,828	-	2,878	Total Investment	-	-	-	-

**Proposed Revenue Investments**

Ref No	Service	Description of Proposal	Investment				Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation etc.)	
			2018/19	2019/20	2020/21	2021/22		
			£'000	£'000	£'000	£'000		
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 Planning 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	

<b>Grand Total Net Revenue Impact (all above)</b>	<b>Total Net impact</b>	-	2,094	-	2,620	-	2,681	-	2,731
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**Efficiencies earmarked in 2018/19 (and/or beyond) resulting from previous decisions- excluding waste contract (superseded)**

	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				
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 ancillary (e.g. IT) service income. There could also be income from room hire.	Expenditure reduction	-	-	-	-	Capital	-	-	-	-		
			Additional Income	-	50	-	50	-	50	Revenue	-	-	-	-
			Total	-	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	-	-
PE11	Green Space (Green Space Strategy & Grounds Maintenance)	Rationalisation of playgrounds following the Green Space Strategy Review and the adoption of the Green Space Strategy 2017-21. Play areas identified in the 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.	Expenditure reduction	-	29	-	29	-	29	Capital	130	-	-	-
			Additional Income	-	-	-	-	-	-	Revenue	-	-	-	-
			Total	-	29	-	29	-	29	Total	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							
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	-	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	-	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				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		
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	-	-	-	-
<b>Total Net Budget Reduction</b>			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
	Cultural Services	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%
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
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**

<b>CABINET</b> <b>23 JANUARY 2018</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>9</b>
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**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 2017/18 to 2020/21 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
<b>Original Estimates approved by Full Council February 2017</b>	<b>8.465</b>	<b>4.788</b>	<b>3.197</b>
<b>Changes approved by Cabinet in 2016/17 Capital Outturn report</b>	12.125	-0.365	0.025
<b>Revised Capital Estimates at start of 2017/18</b>	<b>20.590</b>	<b>4.423</b>	<b>3.222</b>
<b>Changes approved by Cabinet at 1<sup>st</sup> Quarter</b>	-5.451	5.234	0
<b>Changes approved by Cabinet at 2<sup>nd</sup> Quarter</b>	-0.619	0.923	0
<b>Current Capital Estimates</b>	<b>14.520</b>	<b>10.580</b>	<b>3.222</b>

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

- 8.2 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.
- 8.3 The new capital investment proposals and proposed revisions to existing projects are detailed in Appendix C.

### **Capital Programme Funding 2017/18 and onwards**

- 8.4 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.
- 8.5 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.
- 8.6 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.
- 8.7 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**

- 8.8 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.

- 8.9 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**

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

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

16.3 Dean Fury, Corporate Support Accountant  
[dean.Fury@north-herts.gov.uk](mailto:dean.Fury@north-herts.gov.uk); ext 4509

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**By Council Priority**

Priority	2016/17	2017/18	2017/18	Movement	2018/19	2019/20	2020/21	2021/22
	Outturn £'000	Working Budget £'000	Revised Budget £'000		Estimate £'000	Estimate £'000	Estimate £'000	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
<b>Grand Total</b>	<b>5,686</b>	<b>14,520</b>	<b>15,070</b>	<b>550</b>	<b>12,511</b>	<b>1,828</b>	<b>1,425</b>	<b>1,312</b>

**By Service Group**

Service Group	2016/17	2017/18	2017/18	Movement	2018/19	2019/20	2020/21	2021/22
	Outturn £'000	Working Budget £'000	Revised Budget £'000		Estimate £'000	Estimate £'000	Estimate £'000	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
<b>Grand Total</b>	<b>5,686</b>	<b>14,520</b>	<b>15,070</b>	<b>550</b>	<b>12,511</b>	<b>1,828</b>	<b>1,425</b>	<b>1,312</b>

**Capital Funding Source**

Funding Source	2016/17	2017/18	2017/18	Movement	2018/19	2019/20	2020/21	2021/22
	Funding £'000	Working Budget £'000	Revised Budget £'000		Estimate £'000	Estimate £'000	Estimate £'000	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
<b>Grand Total</b>	<b>5,686</b>	<b>14,520</b>	<b>15,070</b>	<b>550</b>	<b>12,511</b>	<b>1,828</b>	<b>1,425</b>	<b>1,312</b>

**Capital Receipt Analysis**

	2016/17	2017/18	2017/18	Movement	2018/19	2019/20	2020/21	2021/22
	Outturn £'000	Working Budget £'000	Revised Funding £'000		Estimate £'000	Estimate £'000	Estimate £'000	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
<b>C/Fwd Capital Receipt Funding</b>	<b>-3,221</b>	<b>-1,675</b>	<b>-2,315</b>	<b>-640</b>	<b>-2</b>	<b>-2,920</b>	<b>-3,277</b>	<b>-3,960</b>

**Cash Investments Analysis (set-aside receipts funding)**

	2016/17	2017/18	2017/18	Movement	2018/19	2019/20	2020/21	2021/22
	Outturn £'000	Working Budget £'000	Revised Funding £'000		Estimate £'000	Estimate £'000	Estimate £'000	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
<b>C/Fwd Cash Investments</b>	<b>-16,642</b>	<b>-5,656</b>	<b>-5,145</b>	<b>510</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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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
<b>Advances &amp; Cash Incentives</b>								
	John Barker Place, Hitchin	0	0	1,096	0	0	0	1,096
<b>Advances &amp; Cash Incentives Total</b>		<b>0</b>	<b>0</b>	<b>1,096</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,096</b>
<b>Asset Management</b>								
	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
<b>Asset Management Total</b>		<b>1,595</b>	<b>5,753</b>	<b>3,525</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>11,023</b>
<b>CCTV</b>								
	Replacement of neighbourhood CCTV equipment	0	35	0	0	0	0	35
<b>CCTV Total</b>		<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>
<b>Community Services</b>								
	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
<b>Community Services Total</b>		<b>1,039</b>	<b>371</b>	<b>636</b>	<b>250</b>	<b>120</b>	<b>0</b>	<b>2,417</b>
<b>Computer Software and Equipment</b>								
	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
<b>Computer Software and Equipment Total</b>		<b>542</b>	<b>290</b>	<b>111</b>	<b>538</b>	<b>115</b>	<b>507</b>	<b>2,102</b>
<b>Corporate Items</b>								
	Capitalised Pension Fund Contribution	2,447	0	2,500	0	0	0	4,947
	Telephony system	124	11	0	0	0	0	135
<b>Corporate Items Total</b>		<b>2,571</b>	<b>11</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,082</b>
<b>Growth Fund Projects</b>								
	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
<b>Growth Fund Projects Total</b>		<b>276</b>	<b>0</b>	<b>713</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>989</b>

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
<b>Leisure Facilities</b>								
	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
<b>Leisure Facilities Total</b>		<b>2,432</b>	<b>3,252</b>	<b>2,209</b>	<b>85</b>	<b>385</b>	<b>0</b>	<b>8,362</b>
<b>Museum &amp; Arts</b>								
	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
<b>Museum &amp; Arts Total</b>		<b>5,236</b>	<b>699</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,935</b>
<b>Parking</b>								
	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
<b>Parking Total</b>		<b>570</b>	<b>430</b>	<b>916</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,916</b>
<b>Renovation &amp; Reinstatement Grant Expenditure</b>								
	Mandatory Disabled Facility Grants	8,591	600	745	745	745	745	12,171
	Private Sector Grants	952	30	60	60	60	60	1,222
<b>Renovation &amp; Reinstatement Grant Expenditure Total</b>		<b>9,543</b>	<b>630</b>	<b>805</b>	<b>805</b>	<b>805</b>	<b>805</b>	<b>13,393</b>
<b>Waste collection</b>								
	Waste and Street Cleansing Vehicles	0	3,600	0	0	0	0	3,600
<b>Waste Collection Total</b>		<b>0</b>	<b>3,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,600</b>
<b>Grand Total</b>		<b>23,804</b>	<b>15,070</b>	<b>12,511</b>	<b>1,828</b>	<b>1,425</b>	<b>1,312</b>	<b>55,949</b>



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 operate safely and reliably. 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.
<b>TOTAL</b>					<b>6,240</b>	<b>2,980</b>	<b>3,042</b>	<b>1,050</b>	<b>836</b>	<b>1,312</b>	<b>-30</b>	

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## CABINET

23 JANUARY 2018

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

# 10

**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 subsidiary, 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 year*”.
- 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.

## **16. CONTACT OFFICERS**

### Author

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

### Contributors

- 16.2 Ian Couper, Head of Finance, Performance and Asset Management, Tel 474243, email [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)
- 16.3 Antonio Ciampa, Accountancy Manager, Tel 474566, email, [antonio.ciampa@north-herts.gov.uk](mailto:antonio.ciampa@north-herts.gov.uk)

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

16.5 Jeanette Thompson, Acting Corporate Legal Manager, Tel 474370, email [jeanette.thompson@north-herts.gov.uk](mailto:jeanette.thompson@north-herts.gov.uk)

**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.

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**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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## APPENDIX B

### 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.

		<b><u>Current Practice</u></b>
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

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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
<b>Total</b>	<b>5,686,000</b>	<b>14,519,800</b>	<b>12,510,600</b>	<b>1,827,600</b>	<b>1,425,000</b>

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

<b>Net financing need for the year</b>	<b>2,184,600</b>	<b>10,946,640</b>	<b>5,685,600</b>	<b>0</b>	<b>0</b>
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## 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
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>-16.642</b>	<b>-5.696</b>	<b>-0.010</b>	<b>-0.010</b>	<b>-0.010</b>
<b>Movement in CFR</b>	<b>2.185</b>	<b>10.946</b>	<b>5.686</b>	<b>0</b>	<b>0</b>

<b>Movement in CFR represented by</b>					
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
<b>Movement in CFR</b>	<b>2.185</b>	<b>10.946</b>	<b>5.686</b>	<b>0</b>	<b>0</b>

## 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
<b>Total core funds</b>	<b>17,031</b>	<b>14,189</b>	<b>12,078</b>	<b>14,383</b>	<b>14,560</b>
Set Aside Receipts	16,642	5,695	9	9	9
<b>Expected investments</b>	<b>33,673</b>	<b>19,884</b>	<b>12,087</b>	<b>14,392</b>	<b>14,569</b>

## 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
<b>Loss of investment interest in General Fund (£000)</b>	£22	£77	£40	£0
<b>Equivalent increase in Council Tax</b>	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
<b>External Debt</b>					
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	<b>456</b>	<b>440</b>	<b>423</b>	<b>405</b>	<b>386</b>
The Capital Financing Requirement	<b>-16,642</b>	<b>-5,696</b>	<b>-10</b>	<b>-10</b>	<b>-10</b>
(Under) / over borrowing	<b>456</b>	<b>440</b>	<b>423</b>	<b>405</b>	<b>386</b>

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.

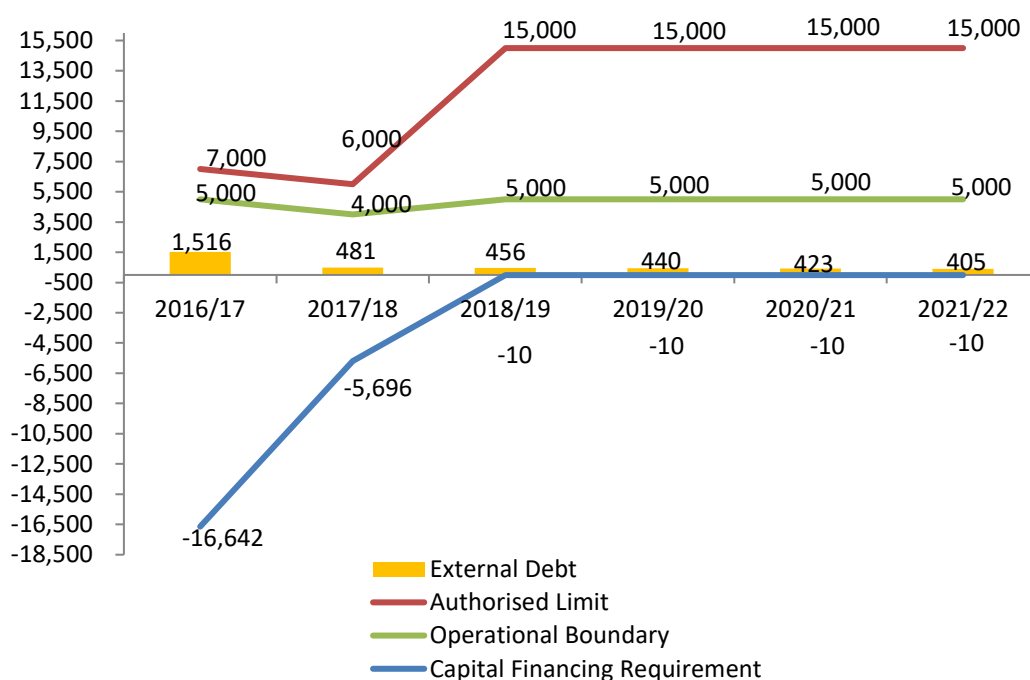
Operational boundary £'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	4,000	5,000	5,000	5,000
Other long term liabilities	0	0	0	0
Total	4,000	5,000	5,000	5,000

#### 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
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates:</b>			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
<b>Limits on variable interest rates</b>			
• Debt only	50%	50%	50%
• Investments only	30%	30%	30%
<b>Maturity structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
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%	
<b>Maturity structure of variable interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
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 subsidiary 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:
  - i. are UK banks;
  - ii. 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:

- i. Short term – F3
  - ii. 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:

- i. 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: -

<b>Maximum principal sums invested &gt; 365 days</b>			
<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
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 Finance 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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<b>CABINET</b> <b>23 JANUARY 2018</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>11</b>
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**TITLE OF REPORT: PIRTON NEIGHBOURHOOD PLAN – EXAMINER’S REPORT**

REPORT OF THE HEAD OF PLANNING AND BUILDING CONTROL  
EXECUTIVE MEMBER: COUNCILLOR DAVID LEVETT  
COUNCIL PRIORITY: PROSPER AND PROTECT

**1. EXECUTIVE SUMMARY**

1.1 To consider the examiners report and the proposed modifications on the Pirton Neighbourhood Plan and to agree that officers make arrangements to conduct a referendum within the Pirton neighbourhood plan area.

**2. RECOMMENDATIONS**

2.1 That the Examiner’s report for the Pirton Neighbourhood Plan be noted.

2.2 That following the inclusion of the examiners proposed modifications to the Pirton Neighbourhood Plan, as set out in Appendix B, it is approved to proceed to a referendum

2.3 That the Counting Officer be instructed to conduct a referendum on the Pirton Neighbourhood Plan.

2.4 That the decision to “make” the Pirton Neighbourhood Plan be delegated to the Head of Planning and Building Control in consultation with the Executive Member.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To progress the Pirton Neighbourhood Development Plan, enable a referendum to take place and following a vote of more than 50% in favour of the Pirton Neighbourhood Development Plan to make the Pirton Neighbourhood Development Plan.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 No alternative options are considered as the plan was subject to examination by an independent examiner. A full copy of the examiner’s report is attached at Appendix A.

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

- 5.1 The Pirton Neighbourhood Plan has been subject to significant public consultation which is described in paragraphs 8.1 to 8.7 below. The Executive Member has received regular updates on the progress of the neighbourhood plan.

## **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 8<sup>th</sup> December 2017.

## **7. BACKGROUND**

- 7.1. Pirton Parish Council applied for the designation of a neighbourhood planning area in September 2013. Following public consultation, the neighbourhood planning area was designated on 28 January 2014.

- 7.2. In preparing the neighbourhood plan, Pirton Parish Council have undertaken a considerable amount of work and public consultation, the examiner in her report states that there has been *exemplary and constant engagement with the community*. Consultation on an early draft neighbourhood plan took place in April 2016 and the neighbourhood plan was submitted to the District Council in October 2016. The Council then undertook the Regulation 16 consultation on the plan between 9 February and 23 March 2017. A total of 205 representations were received, 24 objections, 63 comments and 118 in support of the neighbourhood plan. Following consideration of these representations by the Parish Council they then submitted their plan for examination.

- 7.3. An independent examiner, Ann Skippers, was appointed by the Council in consultation with Pirton Parish Council.

- 7.4. The role of the examiner is to assess whether a neighbourhood plan meets the basic conditions and other matters set out in paragraph 8 of Schedule 4B of the Town and Country Planning Act 1990 (as amended). Details about the basic conditions are set out in Section 5 of the examiners report, as attached as Appendix A.

- 7.5. Following the examination, the examiner must make one of the following recommendations:

- The neighbourhood plan can proceed to a referendum on the basis it meets all the necessary legal requirements;
- The neighbourhood plan can proceed to a referendum subject to modifications; or
- The neighbourhood plan should not proceed to a referendum on the basis it does not meet the necessary legal requirements.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The examination of the neighbourhood plan took place during November 2017 and was conducted by written representation, rather than a public hearing. During the examination, the examiner asked for some additional information which was provided by both the District and Parish Councils. The examiner's report was issued on 19 December 2017, with the following recommendation: *I am therefore pleased to recommend to North Hertfordshire District Council that, subject to the modifications*

*proposed in this report, the Pirton Neighbourhood Development Plan can proceed to a referendum.*

- 8.2 The Pirton Neighbourhood Plan does not allocate any sites for residential development but includes 13 criteria based policies which will ensure that any future development is sustainable and suitable for the Parish. The examiner has considered all of the policies and has recommended a series of modifications to the policies and the supporting text which will ensure that the Neighbourhood Plan is a more workable document which will provide a practical framework for decision making.
- 8.3 A schedule of the examiner's proposed modifications has been prepared which is attached as Appendix B. Officers have considered all of the proposed modifications and where appropriate have made comments and these are noted in the schedule. The Parish Council have also considered the proposed modifications and agree that the proposed modifications should be made to the neighbourhood plan. Overall, officers consider that the modifications all help to make the neighbourhood plan clear and one which can be used in determining planning applications in the Parish. (For reference a copy of the Pirton Neighbourhood Plan pre-examination version – Oct 2016 as submitted for examination can be viewed on the Council's website at: <https://www.north-herts.gov.uk/home/planning/planning-policy/neighbourhood-planning/approved-neighbourhood-areas-pirton> )
- 8.4 The examiner states that subject to the proposed modifications being made to the neighbourhood plan, she recommends that the Pirton Neighbourhood development plan can go forward to a referendum. As part of the examination process, the examiner must consider whether the referendum area should be extended beyond the neighbourhood plan area to which it relates. In this case, the examiner considers that there is no reason to alter or extend the area for the referendum.
- 8.5 The examiner has noted in her report that the District Council will review the Strategic Environmental Assessment (SEA) Screening Determination once any modifications have been made to the plan post examination. It is proposed in this report that all of the examiner's proposed modifications are made to the neighbourhood plan. A review of the SEA Screening Determination is being undertaken by consultants on the proposed neighbourhood planning policies and an addendum to the SEA Screening Determination will be prepared. None of the modifications which are proposed in the examiner's report are considered to have a significant effect on the SEA screening determination.
- 8.6 Once the local planning authority decides that a referendum should be held, this must take place within 56 working days from the publication of its decision statement to take the plan forward. The duties of the Counting Officer are to be exercised by the appointed Returning Officer for local government elections in the area. It is proposed that the referendum will take place in March. The date will be clarified at the meeting of Cabinet.
- 8.7 If there is a favourable response to the referendum, where more than 50% of those voting vote in favour of the plan, then the Local Planning Authority will "make" the neighbourhood plan. The plan will need to be made within 8 weeks of the referendum. Once the plan is made, it will then form part of the statutory development plan. Policies in the neighbourhood plan will be used in determining planning applications within the Pirton neighbourhood planning area.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under the Terms of Reference for Cabinet Paragraph 5.6.18 of the Constitution states that the Cabinet should exercise the Council's functions as Local Planning Authority except where functions are reserved by law to the responsibility of the Council or delegated to the Strategic Director of Planning, Housing and Enterprise.
- 9.2 The Localism Act 2011 provided a new statutory regime for neighbourhood planning. The Neighbourhood Planning (General) Regulations 2012 (as amended) make provisions in relation to that new regime. It does amongst other things set out the Council's responsibility (as the Local Planning Authority) in assisting communities in the preparation of neighbourhood development areas, plans and order and to take plans through a process of examination and referendum.
- 9.3 At the point where the local planning authority makes the decision on whether the neighbourhood plan should proceed to referendum, it needs to be satisfied that the neighbourhood plan proposal has regard to national policy and guidance, contributes to sustainable development, is in general conformity with the strategic policy of the development plan for the area and doesn't breach or is otherwise compatible with EU obligations. It is considered that the addendum to the SEA Screening Determination will ensure that the EU obligations in respect of SEA will have been satisfied.
- 9.4 As a consequence of receiving the examiner's report for the Pirton Neighbourhood Plan, the local planning authority must now have regard to the provisions of the neighbourhood plan as a material consideration in the determination of planning applications within Pirton parish.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The cost of the Pirton Neighbourhood Plan examination has been met out of the existing Neighbourhood Plan Reserve (£21,000), which came about from previous Department of Communities and Local Government (DCLG) funding following designation of neighbourhood plan areas. This reserve will also be used to fund this referendum.
- 10.2 The DCLG has allocated funding until March 2018 to assist local planning authorities to meet the legislative duties in relation to neighbourhood plans. Currently, the local planning authority can claim £20,000 once a neighbourhood plan has gone through a successful examination process and a date has been set for a referendum. It is not known whether the DCLG intends to continue with any Neighbourhood Plan payments into 2018/19, previous payments upon area designation have been capped. As such it is proposed that any funding received from DCLG is placed in the Neighbourhood Plan Reserve to support officers in their work on other neighbourhood plans and preclude the need to draw down upon the Neighbourhood Plan financial risk.

## **11. RISK IMPLICATIONS**

- 11.1 No direct risk implications from this report but Sustainable Development of the District and the Local Plan are both Cabinet Top Risks.
- 11.2 Should a referendum date not be set by the 31 March 2018 then there is a risk that the £20,000 DCLG funding may not available in 2018/19.

## **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 not considered to be any direct equality issues arising from this report. Future individual schemes or considerations may well be subject to appropriate review to ensure they comply with latest equality legislative need. Any risks and opportunities identified will also be subject to assessment for impact on those that share a protected characteristic.

## **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 new human resource implications arising from the contents of this report.

## **15. APPENDICES**

Appendix A: Pirton Neighbourhood Development Plan 2011-2031 – Independent examiners report.

Appendix B: Schedule of proposed modifications and responses.

## **16. CONTACT OFFICERS**

- 16.1 Clare Skeels, Senior Planning Officer  
[clare.skeels@north-herts.gov.uk](mailto:clare.skeels@north-herts.gov.uk), 01462 - 474424
- 16.2 Louise Symes, Strategic Planning and Projects Manager  
[louise.symes@north-herts.gov.uk](mailto:louise.symes@north-herts.gov.uk), 01462 - 474359
- 16.3 Ian Fullstone, Head of Building Control and Planning  
[ian.fullstone@north-herts.gov.uk](mailto:ian.fullstone@north-herts.gov.uk), 01462 - 474480
- 16.4 Nurainatta Katevu, Property and Planning Lawyer  
[nurainatta.katevu@north-herts.gov.uk](mailto:nurainatta.katevu@north-herts.gov.uk), 01462 - 474364
- 16.5 Kerry Shorrocks, Corporate Human Resources Manager  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk), 01462 - 474224
- 16.6 Ian Couper, Head of Financial Services  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk), 01462 - 474243
- 16.7 Reuben Ayavoo, Senior Policy Officer  
[reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk), 01462 – 474212
- 16.8 David Miley, Democratic Services Manager  
[david.miley@north-herts.gov.uk](mailto:david.miley@north-herts.gov.uk), 01462 474208

## **17. BACKGROUND PAPERS**

Cabinet report – Neighbourhood Planning Area Designation – January 2014, Minute Ref: 102

Delegated decision – Proposed Submission Consultation – December 2016

Letter from DCLG to Chief Planning Officers – 22 February 2017: Update on financial support for neighbourhood planning in 2017/18

The Neighbourhood Planning (General) Regulations 2012 (as amended)

The Neighbourhood Planning (Referendums) Regulations 2012 (as amended)

The Neighbourhood Planning (Referendums) (Amendment) Regulations 2016



North Hertfordshire District Council

**Pirton**

**Neighbourhood Development Plan  
2011 - 2031**

**Independent Examiner's Report**

By Ann Skippers BSc (Hons) MRTPI FRSA AoU

19 December 2017

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## Summary

I have been appointed as the independent examiner of the Pirton Neighbourhood Development Plan.

The village of Pirton is first recorded in the Domesday Book as Peritone meaning pear tree farm and has a long and rich history with numerous listed buildings and a Conservation Area. Today the village has approximately 1300 residents. The Parish is situated on the slopes of the Chiltern Hills close to North Hertfordshire's border with Bedfordshire and the village lies some three miles northwest of Hitchin.

The Plan builds on earlier work carried out by the Parish Council which included work on a Village Design Statement, a Parish Plan and a Housing Needs Survey. The supporting documents and in particular the Basic Conditions Statement are very helpful and comprehensive documents that I commend to others.

In addition the Plan has been produced against the backdrop of a rather dated Local Plan and the emergence of a new Local Plan which is now at an advanced stage. It is clear that there has been close working and cooperation between the Parish and District Councils as well as exemplary and constant engagement with the community.

Whilst no site allocations are made for housing, all of the Plan's 13 policies are criteria based and will help to ensure that any development is sustainable and suitable for the Parish. This is a sensible way forward given the uncertainty at District level experienced during the Plan preparation period and will help to ensure that the Plan retains its purpose as well as addressing the community's concerns about development pressure.

During the course of the examination I asked for further information about a number of issues. I am grateful to both Councils for their attention to this and for enabling the examination to run smoothly.

I have recommended a series of modifications which by and large are to help ensure that the Plan is a more workable document that provides a practical framework for decision making. Subject to those modifications, I have concluded that the Plan does meet the basic conditions and all the other requirements I am obliged to examine. I am therefore pleased to recommend to North Hertfordshire District Council that the Pirton Neighbourhood Development Plan can go forward to a referendum.

In considering whether the referendum area should be extended beyond the Neighbourhood Plan area I see no reason to alter or extend this area for the purpose of holding a referendum.

Ann Skippers MRTPI  
Ann Skippers Planning  
19 December 2017

## 1.0 Introduction

This is the report of the independent examiner into the Pirton Neighbourhood Development Plan (the Plan).

The Localism Act 2011 provides a welcome opportunity for communities to shape the future of the places where they live and work and to deliver the sustainable development they need. One way of achieving this is through the production of a neighbourhood plan.

I have been appointed by North Hertfordshire District Council (NHDC) with the agreement of the Parish Council, to undertake this independent examination. I have been appointed through the Neighbourhood Planning Independent Examiner Referral Service (NPIERS).

I am independent of the qualifying body and the local authority. I have no interest in any land that may be affected by the Plan. I am a chartered town planner with over twenty-five years experience in planning and have worked in the public, private and academic sectors and am an experienced examiner of neighbourhood plans. I therefore have the appropriate qualifications and experience to carry out this independent examination.

## 2.0 The role of the independent examiner

The examiner must assess whether a neighbourhood plan meets the basic conditions and other matters set out in paragraph 8 of Schedule 4B of the Town and Country Planning Act 1990 (as amended).

The examiner is required to check<sup>1</sup> whether the neighbourhood plan:

- Has been prepared and submitted for examination by a qualifying body
- Has been prepared for an area that has been properly designated for such plan preparation
- Meets the requirements to i) specify the period to which it has effect; ii) not include provision about excluded development; and iii) not relate to more than one neighbourhood area and that
- Its policies relate to the development and use of land for a designated neighbourhood area.

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<sup>1</sup> Set out in sections 38A and 38B of the Planning and Compulsory Purchase Act 2004 as amended by the Localism Act

The basic conditions<sup>2</sup> are:

- Having regard to national policies and advice contained in guidance issued by the Secretary of State, it is appropriate to make the neighbourhood plan
- The making of the neighbourhood plan contributes to the achievement of sustainable development
- The making of the neighbourhood plan is in general conformity with the strategic policies contained in the development plan for the area
- The making of the neighbourhood plan does not breach, and is otherwise compatible with, European Union (EU) obligations
- Prescribed conditions are met in relation to the neighbourhood plan and prescribed matters have been complied with in connection with the proposal for the neighbourhood plan.

Regulations 32 and 33 of the Neighbourhood Planning (General) Regulations 2012 (as amended) set out two additional basic conditions to those set out in primary legislation and referred to in the paragraph above. Only one is applicable to neighbourhood plans and is:

- The making of the neighbourhood plan is not likely to have a significant effect on a European site<sup>3</sup> or a European offshore marine site<sup>4</sup> either alone or in combination with other plans or projects.

I must also consider whether the draft neighbourhood plan is compatible with Convention rights.<sup>5</sup>

The examiner must then make one of the following recommendations:

- The neighbourhood plan can proceed to a referendum on the basis it meets all the necessary legal requirements
- The neighbourhood plan can proceed to a referendum subject to modifications or
- The neighbourhood plan should not proceed to a referendum on the basis it does not meet the necessary legal requirements.

If the plan can proceed to a referendum with or without modifications, the examiner must also consider whether the referendum area should be extended beyond the neighbourhood plan area to which it relates.

If the plan goes forward to referendum and more than 50% of those voting vote in favour of the plan then it is made by the relevant local authority, in this case North Hertfordshire District Council. The plan then becomes part of the 'development plan'

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<sup>2</sup> Set out in paragraph 8 (2) of Schedule 4B of the Town and Country Planning Act 1990 (as amended)

<sup>3</sup> As defined in the Conservation of Habitats and Species Regulations 2012

<sup>4</sup> As defined in the Offshore Marine Conservation (Natural Habitats, &c.) Regulations 2007

<sup>5</sup> The combined effect of the Town and Country Planning Act Schedule 4B para 8(6) and para 10 (3)(b) and the Human Rights Act 1998

for the area and a statutory consideration in guiding future development and in the determination of planning applications within the plan area.

### **3.0 Neighbourhood plan preparation and the examination process**

A Consultation Statement has been submitted which meets the requirements of Regulation 15(2) of the Neighbourhood Planning (General) Regulations 2012.

The Plan has been underpinned by earlier work on a Village Design Statement (2005), Housing Needs Survey (2010) and a Parish Plan (2013). After a parish-wide meeting in May 2013 supporting the production of a neighbourhood plan, a Steering Group was established to take it forward.

Communication with the community has been through the monthly Parish magazine, the Parish Council newsletter, progress reports, websites including one devoted to the Plan, Facebook including one specifically for the Plan, emails and leaflet drops.

In June 2014, consultation took place on key themes via leaflets and stalls at events and through specific contact with key groups and organisations. This culminated in the publication of a Consultation Document on key themes circulated to each household and business in the Parish and included land owners. It was also available on websites and Facebook.

In the Autumn 2014, two questionnaires were produced; one aimed at youth. Exceptionally high response rates were achieved; over 80% from households and 90% from youth in those households. Feedback was given to the community about the responses.

The next stage involved the formulation of the vision, objectives and policies for the Plan. In July 2015 these were consulted upon and widely advertised. Feedback on responses was given. Work then began on the draft Plan itself.

Pre-submission (Regulation 14) consultation took place between 4 April – 16 May 2016. The consultation was publicised to each household by individual leaflet, posters around the village, on all communication channels, a public meeting, Steering Group meetings, a 'reminder' leaflet drop and day by day counters on Facebook.

A number of aims were defined for the consultation process and these are detailed on page 3 of the Consultation Statement.

Technical advice was received from a planning consultant. Throughout there has been liaison and cooperation with NHDC.

I consider there has been sustained and exemplary engagement with, and feedback to, the community throughout the process.

The Consultation Statement is a thorough, comprehensive and exemplary document that I commend to others as an example of excellent practice.

Submission (Regulation 16) consultation was carried out between 9 February – 23 March 2017. The Regulation 16 stage attracted a number of representations from different people or organisations. I have taken all the representations received during the Regulation 16 period of consultation into account.

I have set out my remit earlier in this report. It is useful to bear in mind that the examiner's role is limited to testing whether or not the submitted neighbourhood plan meets the basic conditions and other matters set out in paragraph 8 of Schedule 4B to the Town and Country Planning Act 1990 (as amended).<sup>6</sup> Planning Practice Guidance (PPG), an online suite of planning guidance first published by the Government on 6 March 2014, but regularly updated confirms that the examiner is not testing the soundness of a neighbourhood plan or examining other material considerations.<sup>7</sup> Where I find that policies do meet the basic conditions, it is not necessary for me to consider if further amendments or additions are required.

Some representations have sought the allocation of sites. Whilst neighbourhood plans can allocate sites for development there is no obligation to do so. Neither is an individual neighbourhood plan the vehicle to test objectively assessed housing needs or the housing strategy for the District. It is clear that the Plan has been produced against a backdrop of an older Local Plan and considerable uncertainty about the emerging Local Plan. Although the Plan is not tested against the policies in the emerging Local Plan, the reasoning and evidence informing the Local Plan process is likely to be relevant.<sup>8</sup>

PPG<sup>9</sup> is clear that it is important to minimise any conflicts between policies in a neighbourhood plan and those in an emerging Local Plan. This is because any conflict must be resolved by the decision taker favouring the policy in the last document to become part of the development plan; in other words it is the most recently adopted policy that will take precedence should there be any conflict between policies. PPG suggests that neighbourhood plans should consider allocating reserve sites for example to ensure that emerging evidence of housing need can be addressed.<sup>10</sup> In this instance there has been close working between the Parish and District Councils. The Plan accepts that housing requirements may rise given the uncertainty at Local Plan level.

Two representations from the Health and Safety Executive and Hertfordshire County Council - Highways sent to me in the bundle of documents related to another neighbourhood plan. In response to my query NHDC confirms that these documents were included in error and I have been sent copies of the ones made by these organisations at Regulation 16 stage in relation to this Plan.

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<sup>6</sup> PPG para 055 ref id 41-055-20140306

<sup>7</sup> *Ibid*

<sup>8</sup> *Ibid* para 009 re fid 41-009-20160211

<sup>9</sup> *Ibid* para 009 re fid 41-009-20160211

<sup>10</sup> *Ibid*

PPG explains<sup>11</sup> the general rule of thumb is that the examination will take the form of written representations,<sup>12</sup> but there are two circumstances when an examiner may consider it necessary to hold a hearing. These are where the examiner considers that it is necessary to ensure adequate examination of an issue or to ensure a person has a fair chance to put a case. I have sought clarification on a number of matters from the Parish Council and NHDC in writing and my list of questions is attached to this report as Appendix 2. I am very grateful to both Councils who have provided me with comprehensive answers. The responses received (all publicly available) have enabled me to examine the Plan without the need for a hearing.

I made an unaccompanied site visit to the neighbourhood plan area on 29 October 2017.

## **4.0 Compliance with matters other than the basic conditions**

I now check the various matters set out in section 2.0 of this report.

### **Qualifying body**

Pirton Parish Council is the qualifying body able to lead preparation of a neighbourhood plan. This requirement is satisfactorily met.

### **Plan area**

The Plan area was approved by NHDC on 24 January 2014. The Plan area is coterminous with the Parish administrative boundary. The Plan relates to this area and does not relate to more than one neighbourhood area and therefore complies with the necessary requirements. The Plan area is shown on page 2 of the Plan.

### **Plan period**

The Plan covers the period 2011– 2031. This is clearly stated on the Plan’s front cover, in the Plan itself and in the Basic Conditions Statement (BCS).

### **Excluded development**

The Plan does not include policies that relate to any of the categories of excluded development and therefore meets this requirement.

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<sup>11</sup> PPG para 056 ref id 41-056-20140306

<sup>12</sup> Schedule 4B (9) of the Town and Country Planning Act 1990



## Development and use of land

Policies in neighbourhood plans must relate to the development and use of land. Sometimes neighbourhood plans contain aspirational policies or projects that signal the community's priorities for the future of their local area, but are not related to the development and use of land. If I consider a policy or proposal to fall within this category, I will recommend it be moved to a clearly differentiated and separate section or annex of the Plan or contained in a separate document. This is because wider community aspirations than those relating to development and use of land can be included in a neighbourhood plan, but actions dealing with non-land use matters should be clearly identifiable.<sup>13</sup> Subject to any such recommendations, this requirement can be satisfactorily met.

## 5.0 The basic conditions

### Regard to national policy and advice

The main document that sets out national planning policy is the National Planning Policy Framework (NPPF) published in 2012. In particular it explains that the application of the presumption in favour of sustainable development will mean that neighbourhood plans should support the strategic development needs set out in Local Plans, plan positively to support local development, shaping and directing development that is outside the strategic elements of the Local Plan and identify opportunities to use Neighbourhood Development Orders to enable developments that are consistent with the neighbourhood plan to proceed.<sup>14</sup>

The NPPF also makes it clear that neighbourhood plans should be aligned with the strategic needs and priorities of the wider local area. In other words neighbourhood plans must be in general conformity with the strategic policies of the Local Plan. They cannot promote less development than that set out in the Local Plan or undermine its strategic policies.<sup>15</sup>

The NPPF indicates that plans should provide a practical framework within which decisions on planning applications can be made with a high degree of predictability and efficiency.<sup>16</sup>

I have also had regard to PPG in preparing this report. This is an online resource available at [planningguidance.communities.gov.uk](http://planningguidance.communities.gov.uk) which is regularly updated. The planning guidance contains a wealth of information relating to neighbourhood planning.

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<sup>13</sup> PPG para 004 ref id 41-004-20170728

<sup>14</sup> NPPF paras 14, 16

<sup>15</sup> *Ibid* para 184

<sup>16</sup> *Ibid* para 17

PPG indicates that a policy should be clear and unambiguous<sup>17</sup> to enable a decision maker to apply it consistently and with confidence when determining planning applications. The guidance advises that policies should be concise, precise and supported by appropriate evidence, reflecting and responding to both the context and the characteristics of the area.<sup>18</sup>

PPG states there is no 'tick box' list of evidence required, but proportionate, robust evidence should support the choices made and the approach taken.<sup>19</sup> It continues that the evidence should be drawn upon to explain succinctly the intention and rationale of the policies.<sup>20</sup>

Whilst this has formed part of my own assessment, the BCS sets out how the Plan has responded to national policy and guidance through commentary on how the Plan, its policies and community priority actions align with the NPPF's 13 elements for delivering sustainable development.

### **Contribute to the achievement of sustainable development**

A qualifying body must demonstrate how the making of a neighbourhood plan would contribute to the achievement of sustainable development. The NPPF as a whole<sup>21</sup> constitutes the Government's view of what sustainable development means in practice for planning. The Framework explains that there are three dimensions to sustainable development: economic, social and environmental.<sup>22</sup>

Whilst this has formed part of my own assessment, the BCS contains a table which sets out how the Plan's vision and objectives, policies and community priority actions align with each of the three components of sustainable development outlined in the NPPF.

### **General conformity with the strategic policies in the development plan**

The development plan relevant to this examination is the North Hertfordshire District Local Plan No. 2 (LP 1996) adopted in 1996 with various policies saved in 2007. A reduced version of the written statement to include the saved parts of the LP is available. NHDC's website explains that most policies remain broadly consistent with the the NPPF, but four (Policies 6, 25, 26 and 36) are inconsistent with the NPPF.

### ***Emerging Local Plan***

Work is currently underway on a replacement Local Plan 2011 -2031. At the time of writing, the Local Plan 2011 – 2031 was submitted to the Government on 9 June 2017 and an Inspector has been appointed to undertake the examination. The first hearing

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<sup>17</sup> PPG para 041 ref id 41-041-20140306

<sup>18</sup> *Ibid*

<sup>19</sup> *Ibid* para 040 ref id 41-040-20160211

<sup>20</sup> *Ibid*

<sup>21</sup> NPPF para 6 which indicates paras 18 – 219 of the Framework constitute the Government's view of what sustainable development means in practice

<sup>22</sup> *Ibid* para 7

sessions were scheduled for week beginning 13 November and will continue into February/March next year. I have had regard to the emerging Local Plan and any relevant supporting material in this examination.

Given the dated nature of the LP, the Plan has been prepared with an eye on the emerging Local Plan and close liaison with NHDC Officers has taken place.

### **European Union Obligations**

A neighbourhood plan must be compatible with European Union (EU) obligations, as incorporated into United Kingdom law, in order to be legally compliant. A number of EU obligations may be of relevance including Directives 2001/42/EC (Strategic Environmental Assessment), 2011/92/EU (Environmental Impact Assessment), 92/43/EEC (Habitats), 2009/147/EC (Wild Birds), 2008/98/EC (Waste), 2008/50/EC (Air Quality) and 2000/60/EC (Water).

PPG indicates that it is the responsibility of local planning authorities to ensure that the Plan is compatible with EU obligations (including obligations under the Strategic Environmental Assessment Directive) when it takes the decision on a) whether the Plan should proceed to referendum and b) whether or not to make the Plan.<sup>23</sup>

### ***Strategic Environmental Assessment***

Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment is relevant. Its purpose is to provide a high level of protection of the environment by incorporating environmental considerations into the process of preparing plans and programmes. This Directive is commonly referred to as the Strategic Environment Assessment (SEA) Directive. The Directive is transposed into UK law through the Environmental Assessment of Plans and Programmes Regulations 2004 (EAPPR).

A Screening Determination dated April 2016 and undertaken by CAG consultants on behalf of NHDC has been submitted. The Screening Determination related to the Regulation 14 version of the Plan and concluded that a SEA is not required. The requisite consultation with the statutory consultees was undertaken. Only Natural England responded and their letter of 20 April 2016 agrees with the conclusion of the Screening Determination. I have taken this document to be the statement of reasons required by PPG.<sup>24</sup>

NHDC have confirmed that the SEA Screening Determination will be reviewed and finalised in accordance with the EAPPR once any modifications have been made post examination. This will then ensure that EU obligations in respect of SEA have been satisfied.

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<sup>23</sup> PPG para 031 ref id 11-031-20150209

<sup>24</sup> *Ibid* para 031 ref id 11-031-20150209

### ***Habitats Regulations Assessment***

Directive 92/43/EEC on the conservation of natural habitats, commonly referred to as the Habitats Directive, is also of relevance to this examination. A Habitats Regulations Assessment (HRA) identifies whether a plan is likely to have a significant effect on a European site, either alone or in combination with other plans or projects.<sup>25</sup> The assessment determines whether significant effects on a European site can be ruled out on the basis of objective information.

Regulation 32 of the Neighbourhood Planning (General) Regulations 2012 (as amended) sets out another basic condition in addition to those set out in primary legislation as detailed in section 2.0 of this report.

One of the queries I raised was in relation to Regulation 32 and I asked what assessment had been carried out in respect of this basic condition and for any information to enable me to consider whether it had been complied with.

There are no European sites within the District. Three European sites fall within a 15km distance of the District; the Eversden and Wimpole Woods Special Area of Conservation (SAC), the Wormley-Hoddesdonpark Woods SAC and the Lee Valley Special Protection Area and the Chilterns Beechwoods SAC lies just outside that 15km distance.

The SEA Screening Determination refers to a HRA Screening Report of February 2013. Natural England's letter of 20 April 2016 concurs with the view in the Screening Direction that further Habitats Regulations Assessment is not required. In response to this query, NHDC directs me to the HRA Screening Report dated September 2016 for the emerging Local Plan.

Natural England's response at Regulation 16 stage indicated they did not wish to make any representations at that time [Regulation 16 stage] having previously reviewed the Plan.

Given the information before me, the response from Natural England, the nature, characteristics and locations of the European sites and the nature and contents of the Plan, I consider that a full HRA is not required and that the further basic condition set out in Regulation 32 is complied with.

### ***European Convention on Human Rights (ECHR)***

The BCS contains a short statement about fundamental rights and freedoms guaranteed under the ECHR and the Human Rights Act 1998. There is nothing in the Plan that leads me to conclude there is any breach of the Convention or that the Plan is otherwise incompatible with it.

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<sup>25</sup> PPG para 047 ref id 11-047-20150209

PPG<sup>26</sup> confirms that it is the responsibility of the local planning authority, in this case NHDC, to ensure that all the regulations appropriate to the nature and scope of the draft neighbourhood plan have been met. It is NHDC who must decide whether the draft plan is compatible with EU obligations when it takes the decision on whether the plan should proceed to referendum and when it takes the decision on whether or not to make the plan.

## 6.0 Detailed comments on the Plan and its policies

In this section I consider the Plan and its policies against the basic conditions. Where modifications are recommended they appear in **bold text**. Where I have suggested specific changes to the wording of the policies or new wording these appear in *bold italics*.

The Plan is very well presented and easy for readers to use and digest. It begins with a foreword from the Parish Council Chair and a helpful contents page. Throughout the document there are a number of photographs which help to add to the individual flavour of this Plan. Maps and diagrams are clear.

### 1. Plan Background

This section sets out the rationale for the Plan, confirms important details including the designation of the Plan area and explains the strategic context for the area.

In places, it seems to me that the page reference numbers have gone astray and so in the interests of accuracy and clarity, I suggest that these are reviewed to make sure they are correct.

Pirton is identified as a Selected Village in the LP 1996 where Policy 7 applies. This indicates that development will normally be permitted if the site is within the main area of the village as shown on the Proposals Map, it is in line with the policy aims for the Visual Character Areas or involves retaining and improving a building that contributes to the character or visual quality of the village and would maintain or enhance the character or visual quality of the village and surrounding area.

In the emerging Local Plan, Pirton is identified as a Category A village where general development will be allowed in the defined settlement boundary. Such villages usually have a primary school as is the case of Pirton and have site allocations. However, the relevant emerging Local Plan policy is subject to a main modification and may change. I am informed that around 110 houses have been built or granted planning permission since 2011. Pirton is unusual in that it does not have any site allocations in the

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<sup>26</sup> PPG para 031 ref id 11-031-20150209

emerging Local Plan and this is a discussion that forms part of the hearing sessions for the emerging Local Plan.

Pirton is described as a medium sized village with a reasonable range of facilities including a primary school, church, village hall, chapel, a shop and public houses. The western part of the Parish is designated as part of the Chilterns Area of Outstanding Natural Beauty (AONB). A settlement boundary is shown whilst the remainder of the Parish is classed as rural area beyond the Green Belt, apart from a small section of Green Belt in the south-east of the Parish.

In relation to the economy, the emerging Local Plan refers to a steady demand for rural employment land and premises and that its general approach is to direct concentrations of rural business to Category A villages.

The Plan accepts the level of growth in the emerging Local Plan which of course is yet to be examined and may change. Most development will take place within the development boundary identified for Pirton. The proposed development boundary is shown on page 3 of the Plan and labeled as “(from Draft DLP)”. With the passage of time, this has now been revised in the emerging Local Plan and whilst I recognise this may be subject to change, it would seem sensible to update it to reflect and align with the latest version of the emerging Local Plan.

The preferred options map from the emerging Local Plan is shown on page 4 of the Plan together with explanatory text at paragraph 1.3.7. This is both unnecessary as the emerging Local Plan has now moved on and confusing to include in this Plan. In order for the Plan to provide the practical framework required by national policy and guidance, it should be removed from the Plan.

Section 1.4 of the Plan sets out information relating to, amongst other things, the Strategic Housing Land Availability Assessment (although this is referred to incorrectly as the Allocation Assessment) and housing numbers. The most up to date information available should be sourced from NHDC and used in the interests of accuracy and completeness.

- **Review the references to page numbers to ensure they are correct including references in paragraphs 1.3.4 (to page 1 which should be the foreword), 1.3.6 (to page 4 which should be page 2)**
- **Update the development boundary map on page 3 of the Plan to reflect the most recent emerging Local Plan map and remove the references on the map to the draft Local Plan**
- **Delete the “Preferred Options Map” and paragraph 1.3.7 from page 4 of the Plan and any references to it throughout the Plan for example on page 20**
- **Update paragraph 1.4.3 to refer to the SHLAA update in 2016 and correct the title of the SHLAA to “Strategic Housing Land *Availability* Assessment”**

- **Update paragraph 1.4.6 with the latest housing figure available**
- **Consequential renumbering of paragraphs etc. will be needed**

## 2. Parish Portrait

This section confirms that the community recognises and accepts the need for development, but seeks development that recognises the character of the area and the qualities that the community value. It refers to a number of statistics about Pirton and signposts other information and evidence in supporting documents.

There are some instances of the page number references going astray. In addition there is repetition between paragraphs 2.1.11 and 2.1.12. These should be remedied in the interests of accuracy.

NHDC also point out that the map on page 13 should be updated to reflect the most up to date position in respect to Priors Hill and in the interests of accuracy this should be done.

- **Review the references to page numbers to ensure they are correct including references in paragraphs 2.1.11 (to page 10)**
- **Delete the repetition between paragraphs 2.1.11 and 2.1.12 in relation to the Visual Character Area references on page 10 of the Plan**
- **Update the map on page 13 to reflect the revised boundary for the scheduled ancient monument at Priors Hill**

## 3. Key Themes

A short section that identifies five key themes which emerged from community engagement and the main issues springing from those themes.

## 4. The Neighbourhood Plan Vision and Objectives

The vision for the Plan is:

*“Pirton Parish thrives socially, economically and environmentally as a safe, tranquil, rural community where sustainable development of good and intelligent design enhances its distinctive character; its heritage, biodiversity and position, and respects and enhances its position in the landscape.”*

Eleven objectives underpin the vision. These range from the type of housing provision sought to conservation and enhancement of the local landscape. All are clearly

articulated and relate to the development and use of land and many are inclusive and forward thinking.

## **5. The Neighbourhood Plan Policies**

The preamble to this section explains how the Plan is organised. It makes a statement reflecting the statutory duty on decision takers to determine planning applications in accordance with the plan unless material considerations indicate otherwise. It includes a statement that makes it clear the Parish Council will work with applicants and other stakeholders to encourage acceptable schemes. This is a positive stance to take in line with national policy and advice.

Policies are arranged under the key themes identified. Each policy or group of policies is preceded by the objectives of relevance and is supported by a justification and evidence section. This makes the 'story' of the policy very clear and makes a direct link back to the overall vision and objectives.

### ***5.1 Housing and Development***

#### **Policy PNP 1 Meeting Local Need**

Two small points of inconsistency arise; the heading on page 19 refers to "Meeting Local and Wider Need", but the policy title refers only to local need. Secondly, objective 2 on page 19 is not exactly the same as objective 2 on page 16 of the Plan. In the interests of accuracy these inconsistencies should be remedied.

Turning now to the policy itself, this supports development within the development boundary subject to various criteria. Its overall approach is broadly in line with LP 1996 Policy 7 insofar it accepts development within the main area or boundary of the village. The Plan also has taken the opportunity to reconsider that boundary in line with the emerging Local Plan. Criterion 1.1 which refers to the development boundary should cross-refer to the boundary shown on page 3 of the Plan to provide clarity.

Criterion 1.2 imposes a limit of a maximum of 30 dwellings on any one site. The NP survey showed that most people wished to see smaller developments of up to 10 dwellings or between 1 - 25 dwellings. This is supported by the Character Assessment which assesses past development sizes. It has also been subject to public consultation.

None of the representations objecting to this have definitively demonstrated that individual developments of up to 30 dwellings cannot be designed in an appropriate manner, would not use land sustainably, are not deliverable or that housing growth could not be achieved in this way. There is no cap on the total number of houses. In my opinion this is not an arbitrary approach; rather it specifically seeks to maintain the



village's strong and established sense of place. This approach has regard to the NPPF, where it requires policies to recognise housing growth and respond to local character.

Other criteria relate to the type of housing sought including for young families and older people and these particular needs are evidenced well through a mixture of Census data, the Community Rural Profile, Parish Plan, Housing Needs Survey and NP survey. The policy pursues a mix of housing including self-build. Affordable housing in line with NHDC's policy and to meet local needs is sought subject to a legal agreement to ensure affordable housing in perpetuity. All are clearly worded, demonstrate an understanding of the needs of the community and, subject to one minor modification to enhance flexibility, will accord with the basic conditions.

However, two criteria raise issues in relation to the basic conditions. The first is criterion 1.7 which refers to construction management which is often subject to a condition attached to a planning permission. However, the criterion goes further than this by seeking assurance on how any damage to infrastructure caused by the construction process might be rectified. However desirable, this seems to me to go beyond what could be reasonably sought in relation to planning matters and the method statement for construction should avoid damage so the latter part of this criterion should be deleted.

The second criterion is 1.8. This requires developments of 11 or more dwellings to address adverse impacts on the character of Pirton, the facilities in Pirton and on parking and public transport and to do so via a Section 106 legal agreement. Whilst it is not unreasonable to seek to ensure that development proposals should minimise or mitigate any harmful impacts arising from that development, it is not clear to me how this criterion would work in practice. For instance if there was an adverse impact on parking and public transport this could be dealt with through the usual planning application route that might include planning obligations. However, I can envisage many arguments regarding what impact on character and facilities might include and whether it was directly attributable to the development. This criterion therefore does not provide the clarity and precision sought by national policy and advice and I cannot find a way of modifying it satisfactorily as it is unclear what is meant. Therefore it should be deleted.

Subject to these modifications, the policy sets out the approach sought, takes account of national policy and guidance and will help to achieve sustainable development and the social dimension of sustainable development in particular.

- **Change the policy title to “Policy PNP 1 – Meeting Local *and Wider* Needs”**
- **Change the second objective on page 19 of the Plan to read “To *encourage* sensitive and innovative development in accordance...”**
- **Add to the end of criterion 1.1 “*as shown on the map on page 3 of the Plan*”**

- Amend criterion 1.5 so that it reads: “It provides a mix of homes (including *the provision of self-build plots where appropriate*)...”
- Delete the words “...and, how and when repairs to any infrastructure damage caused by the construction process will be rectified.” from criterion 1.7
- Delete criterion 1.8 in its entirety

## 5.2 Design and Character

### Policy PNP 2 Design and Character

Policy PNP 2 supports development proposals if they accord with the Pirton Character Assessment and the 13 criteria of this long policy. The Character Assessment is a major piece of work that underpins many of the Plan’s policies. In the main design guidance is to be found in Appendix 5 of the Character Assessment which updates a previously produced Village Design Statement.

Turning to the detail of the policy, the following criteria warrant further thought.

Criteria 2.3. and 2.5. refer to density and support a maximum density of about 22 dwellings per hectare “on merit” and where an identified need such as social and affordable housing is to be met or 17 dwellings elsewhere. A number of representations have expressed concern about this. The supporting text refers to the average density in Pirton being below 17 dwellings per hectare and the greatest as about 22, but there is little in the Plan or Character Assessment to indicate what assessments have been made.

The NPPF enables local approaches to density to be set out reflecting local circumstances.<sup>27</sup> However, in this instance there is little explanation for the maximum density and the imposition of a maximum figure may be unnecessarily restrictive and lead to an inefficient use of land.

It is important that the policy reflects the NPPF’s aim of ensuring new development functions well and adds to the overall quality of the area; responds to local character and history; and reinforces and promotes local distinctiveness. The imposition of a maximum density could prevent development at a higher density which is otherwise acceptable coming forward.

The NPPF is clear that good design (of which density is one consideration) is a key aspect of sustainable development, is indivisible from good planning and should contribute positively to making places better for people.<sup>28</sup> It continues<sup>29</sup> that

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<sup>27</sup> NPPF para 47

<sup>28</sup> *Ibid* para 56

<sup>29</sup> *Ibid* para 65

permission should not be refused for development that promotes high levels of sustainability because of “concerns about incompatibility with an existing townscape” if those concerns are mitigated by good design.

In other words higher density may well be acceptable if there is a design-led approach. Therefore in order to take account of the NPPF this element of the policy should be reworded more positively and flexibly.

Criterion 2.6. refers to demonstrating compliance with the Chilterns Conservation Board – Position Statement Development affecting the setting of the Chilterns AONB Adopted June 2011 (Rev 1) or as updated. My understanding is that the position statement is guidance produced by the Chilterns Conservation Board. Therefore this criterion cannot require compliance as that would elevate this guidance to policy status, but it could encourage it to be taken into account. It is also unclear whether the Conservation Board has been contacted in this regard. A modification is made to achieve this.

In order to reflect the statutory duty in relation to Conservation Areas, an addition to criterion 2.9 is recommended.

Criterion 2.13 refers to Visual Character Areas (VCA). LP 1996 Policy 7 identifies four VCAs for Pirton namely Toot Hill, Western Edge, Eastern Edge and Rear of the Fox PH. The Character Assessment explains that the second and third of these areas are now redundant given the permissions granted in the intervening period. As a result it takes the opportunity to update and identifies six such areas (V1 – V6).

The criterion seeks a reduced building density and height and “considerable” open spaces to be provided in any development that affects a VCA. It continues that only in exceptional circumstances will proposals that “adversely affect” such an area be supported.

The Character Assessment in identifying six VCAs shown on page 11 of the Plan effectively surrounds the village with the exception of the opposite side of Priors Hill/Hitchin Road that fall within the Chilterns AONB. One of the VCAs (V1) also includes the site now granted planning permission and in any case falling within the village development boundary.

LP 1996 Policy 7 refers to proposal’s being in line with the policy aims for each VCA. No such aims have been identified for the updated VCAs although they are also referred to as transitional zones. Furthermore I note that the Character Assessment indicates “they should be maintained and protected”.

Taking all these issues together, there is firstly little hint as to how a decision maker might make a judgment about the effect on any of VCAs as required by the policy as there is little information about their particular and special characteristics. Secondly, density, height, spacing and open spaces are covered by other criteria. Thirdly, there appears to be a potential conflict between the wording of the policy and the Character Assessment. As a result this criterion should be deleted as it does not have the

precision and clarity required by national policy and guidance and does not provide a practical framework.

Given the first part of the policy indicates proposals will be supported if they accord with the Character Assessment and that document indicates that the VCAs should be maintained and protected, the first part of the policy also requires modification.

The NPPF is clear that good design is a key aspect of sustainable development, is indivisible from good planning and should contribute positively to making places better for people.<sup>30</sup> The policy also takes its lead from the guidelines in LP 1996 Policy 57. The other criteria are clearly worded setting out the quality of development expected for the area. It reflects the principles of good planning and will help to ensure that development reflects and respects the distinctive character of Pirton village and the Parish.

Subject to these modifications, it will meet the basic conditions.

- **Reword criterion 2.3. to read: “*The density of any scheme should be consistent and compatible with the existing and prevailing density and reflect the locally distinctive character of the locality in which the new development is proposed so that the village feel is retained.*”**
- **Delete criterion 2.5. in its entirety (as this is now covered by reworded criterion 2.3)**
- **Alter criterion 2.6. to read: “*Should take into account the Chilterns Conservation Board Position Statement “Development affecting the setting of the Chilterns AONB June 2011” or as updated.*”**
- **Add “*or appearance*” after “...the special character” in criterion 2.9**
- **Delete criterion 2.13. in its entirety**
- **Change the first sentence of the policy to read: “Residential development proposals will be supported if they are in accordance with the *guidance contained in the Pirton Character Assessment and the following principles:*”**

### **Policy PNP 3 Residential Extensions (Excluding Those Covered by ‘Permitted’ Development)**

This policy sets out the expected quality for residential extensions requiring planning permission. This criteria-based policy is clearly worded and seeks to reinforce and promote local distinctiveness in line with national policy.<sup>31</sup> It updates and provides a

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<sup>30</sup> NPPF para 56

<sup>31</sup> *Ibid* para 60

locally distinctive context for LP 1996 Policy 28. It will help to achieve sustainable development. It is clearly worded. As a result it meets the basic conditions and no modifications are recommended.

It should be noted that this policy cross references Policy PNP 13 which is recommended for modification later on in my report. However, the modification does not require any consequential modifications to this policy.

### **5.3 Biodiversity, Environment and Heritage**

#### **Policy PNP 4 Hedgerows, Trees and Verges**

This policy seeks to ensure that trees and hedgerows are surveyed as part of any development proposal and retained or replaced as appropriate. If it is necessary to remove a tree or hedgerow, a replacement of “no less arboriculture or amenity value” in an appropriate location is sought.

The policy also deals with village edge development and seeks the integration of new development through the retention of landscaping and the provision of new landscaping to enable softer and greener edges. Landscaping is required as an integral part of integrating new development.

The last criterion seeks to ensure that new development or construction processes for new development do not damage the Heritage Verge along Hitchin Road. I was not familiar with such a designation and so asked for further information. The Parish Council has advised that this is a local wildlife site and priority habitat managed by the Parish Council and the Hertfordshire and Middlesex Wildlife Trust. It is one of only two such verges in Hertfordshire. A map has been provided with the answer to my query.

The policy is not at odds with LP 1996 Policies 14 and 57. It will help to retain and establish a strong sense of place and ensure development is visually attractive in line with the NPPF.<sup>32</sup> It will help to achieve sustainable development. Subject to the recommendations below it will meet the basic conditions.

- **Show the extent of the Hitchin Road Heritage Verge on a map and include the map within the Plan**
- **Add the words “as shown on Map XX” at the end of criterion 4.5**

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<sup>32</sup> NPPF para 58

## Policy PNP 5 Wildlife

Policy PNP 5 seeks to ensure that appropriate consideration has been given to wildlife habitats including any legal requirements for surveys and seeks to encourage hedge planting as boundary treatment to encourage green wildlife routes.

The Character Assessment identifies flora and fauna. The Parish also has a number of wildlife sites and a Site of Special Scientific Interest (SSSI) which are shown on page 31 of the Plan. It is however not particularly clear where the SSSI is and a modification is suggested to address this.

In addition, the sentence drawing attention to the map on page 31 is duplicated in the text on page 30 and this should be addressed in order to assist with the presentation and clarity of the Plan.

The NPPF is clear that the planning system should contribute to and enhance the natural and local environment including through minimising impacts on biodiversity and providing new gains where possible.<sup>33</sup> I consider that this policy will help to achieve this. The policy also builds on LP 1996 Policy 14.

However, the requirement for all development proposals to demonstrate how wildlife habitats have been considered could be regarded as onerous; for smaller developments such as householder schemes, it would be reasonable to expect that a proportionate approach would be taken. An addition to the policy to make this clear would ensure that the policy is flexible on this point and not unduly onerous in its requirements about what supporting information is to be submitted with planning applications.

The suggested modifications would ensure that the policy takes account of the NPPF and in particular the need for neighbourhood plans to provide a practical framework within which decisions on planning applications can be made<sup>34</sup> and its stance on information requirements to be proportionate to the nature and scale of the proposal.<sup>35</sup>

Subject to these modifications, the policy will meet the basic conditions.

- **Add a key to the map on page 31 of the Plan to indicate both the wildlife sites and the SSSI and ensure that the location of the SSSI is clear on the map**
- **Delete one of the duplicate sentences that reads “The map provided on page 31 shows the location of wildlife areas (shaded blue) and one Site of Special Scientific Interest (SSSI).” from page 30 of the Plan**
- **Add an additional criterion 5.4 to the end of the policy which reads: “5.4. It is expected that development proposals would meet this policy through the**

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<sup>33</sup> NPPF para 109

<sup>34</sup> *Ibid* para 17

<sup>35</sup> *Ibid* para 193

*submission of appropriate and proportionate information taking into account both the type of development proposed and its location.”*

## **Policy PNP 6 Local Green Spaces and Open Spaces**

Objective 1 on page 33 is not exactly the same as objective 8 on page 16 of the Plan. In the interests of accuracy this inconsistency should be remedied.

Policy PNP 6 seeks to achieve three things; it seeks to designate a number of Local Green Spaces (LGS), ensure that development around the boundaries of the LGSs is sensitive in its approach to design and that new green spaces are encouraged in new developments.

Taking the designation of LGSs first, the NPPF explains that LGSs are green areas of particular importance to local communities.<sup>36</sup> The effect of such a designation is that new development will be ruled out other than in very special circumstances. Identifying such areas should be consistent with local planning of sustainable development and complement investment.

The NPPF makes it clear that this designation will not be appropriate for most green areas or open space. Further guidance about LGSs is given in PPG.

A table on page 33 of the Plan lists ten proposed LGSs and explains their significance. It should be clearly linked to the policy. The heading to the table is inconsistent as it refers to “designated green space” rather than LGS. A map on page 32 of the Plan seeks to show the proposed LGSs which is helpful, but they are not individually identified. In addition the map is labeled “Village Open Spaces” which could also potentially lead to some confusion. Furthermore two of the proposed LGSs (The Knoll and the Blacksmiths Pond) in the table are not shown on the map and so this needs to be remedied.

Two other areas (the Primary School Playing Fields and the allotments at Bannisters Close) are shown on the map, but are unfortunately not referred to in the table. There is therefore no justification put forward for the designation of these two spaces. There is also an objection to the designation of the Primary School Playing Fields. This makes what is probably a drafting inconsistency and lack of justification even more significant. Usually where there is a discrepancy between words and maps, words take precedence. Whilst recognising this will come as a disappointment to the Parish Council, I am left with no option in saying that these two areas cannot be considered as potential LGSs and should be deleted from the map. Therefore modifications are suggested to address these issues.

I visited each proposed LGS on my site visit and discuss each in turn on the next page.

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<sup>36</sup> NPPF paras 76, 77 and 78

**Great Green** This is a grassed triangular area with mature trees, seating, a may pole and bus shelters. It is described as the remains of a historic village green i.e. vestiges of an ancient green. Centre of the village and focal point for village activities e.g. the annual maypole dancing.

**Chipping Green**, also known as Village Green, Bury End . This is a grassed triangular area with trees and a village sign on the other side of the road from Great Green. It also consists of the remains of the historic village.

**Little Green**, junction of High St, Walnut Tree Road and Royal Oak Lane Historic Green. Described as a focal point in that area of the village which has a well-used wooden seat often used by the elderly, dog walkers and hikers as a resting spot or just to enjoy contemplating that part of the village; there is a map of the parish on the green.

**The Blacksmiths Pond** is close to, and nearly opposite Little Green. Described as a registered Common, this is an iconic area of the village, inhabited by ducks and other wild fowl, and popular with children.

**Middle Green, Coleman's Close recreation area**, is a grassed area with a play area on it and a number of trees. It is integral to the setting of the surrounding housing. It is described in the Plan as the last vestige of Middle Green, an historic Green now preserved as an open space and children's recreation area in the Coleman's Close development.

**The Knoll** Remains of an ancient Green at the Junction of High Street, Shillington Road, West Lane and Burge End Lane.

**Allotments, Little Lane** accessed by a single track lane and then footpaths only, this is clearly a well used allotment site.

**The Bury and Toot Hill** Scheduled Ancient Monument purchased for the village by the PPC and managed by the Bury Trust for the benefit of the village community. It is a well contained area, well used at the time of my visit by dog walkers and the grazing cows. It is a tranquil area that also affords glimpses of the surrounding countryside.

**Pirton Vicarage Nature Reserve** This is described as a wild space in the centre of the village created specifically by the village for quiet contemplation. The Pirton craft group has designed and made a beautiful mosaic seat. The hedging that encloses it is maintained in accordance with traditional hedging methods.

**Recreation Ground and Outdoor Sports Facilities, off Walnut Tree Road** This is a more formally laid out recreation and sports and multi-use games area with tennis courts, cricket pitches and other playing pitches laid out with floodlighting and changing rooms.

Some of the proposed LGSs fall within the village Conservation Area. I have considered whether there is any additional local benefit to be gained from designation as a LGS as



advised by PPG.<sup>37</sup> I consider that the LGS designation expresses the areas of particular significance and importance to the local community and therefore there is added value.

In my view, all of these proposed LGSs meet the criteria in the NPPF satisfactorily.

The second element of the policy seeks to ensure that development “on the edges” of these areas require a particularly sensitive approach to design. There is no supporting explanation of why this is important. In the light of this, and given the other policies in the Plan which seek a high standard of design and effectively cover this point, I consider this element to be unsatisfactorily justified. Therefore it should be deleted.

The last element of the policy encourages new green spaces within developments to be provided. This is in line with the NPPF which makes the point that access to open spaces can make an important contribution to the health and well-being of Communities.<sup>38</sup> The policy is sufficiently flexible in encouraging rather than requiring such spaces.

- **Change the objective on page 33 of the Plan to read “To *protect* important green and open spaces...”**
- **Identify each of the individual LGSs identified in the table on page 33 of the Plan on a map by revising the map on page 32 of the Plan and/or by the addition of new or more maps given the clarity needed**
- **Ensure that The Knoll and the Blacksmiths Pond are shown on the revised map**
- **Delete the Primary School Playing Fields and the allotments at Bannisters Close from the map**
- **Change the title of the map on page 32 (or its replacement) to “*Local Green Spaces*” removing the references to anything else including village open spaces**
- **Change the heading in the table on page 33 from “Designated Green Space” to “Designated *Local* Green Space”**
- **Add “*in the table*” after “The areas listed below...” in criterion 6.1 of the policy**
- **Delete criterion 6.2 of the policy in its entirety**
- **Renumber criterion 6.3 of the policy “6.2”**

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<sup>37</sup> PPG para 010 ref id 37-010-20140306

<sup>38</sup> NPPF para 73

## Policy PNP 7 Key Views and Vistas

Part of the Parish falls within the Chilterns Area of Outstanding Natural Beauty (AONB).

The first element of Policy PNP 7 supports development that does not “impact on an area of the Chilterns AONB”. The NPPF gives great weight to conserving landscape and scenic beauty in AONBs which it explains, have the highest status of protection in relation to landscape and scenic beauty alongside National Parks and the Broads.<sup>39</sup> The NPPF outlines the circumstances in which planning permission should be refused for major development and how planning applications should be determined. This part of the policy is too generalised in nature, imprecise and vague to enable me to conclude that it meets the basic conditions.

The second element of the policy refers to key views and vistas. It states that development proposals should take account of the visual impact of proposals on nine key views and vistas that are described and identified on a map on pages 35 – 39 of the Plan.

As the policy is currently worded, it is too imprecise and vague and will not achieve much as the views could be taken into account and then dismissed. However, it is clear from the supporting text that the intent behind this policy is to conserve the position of Pirton in the landscape given the expansive views around the village in relation to views and vistas to and from the AONB and surrounding rural landscape. This ties in with the Chilterns Conservation Board statement referred to on page 34 of the Plan and information in the Character Assessment. Although the Character Assessment identifies 16 views of importance, I have taken the nine identified in the Plan to be the ones identified by the community as being of particular importance.

During my site visit I saw how the village sits within the landscape and how important these views are to the unique character and topography of the village and its setting. The arrow for View 8 (View on entry to Pirton village at Holwell Turn across Elm Tree Farm field towards the Chiltern Ridge) is however shown differently between the Plan and the Character Assessment. In addition, this field has the benefit of planning permission for development and so the key features of the view have already been lost. Given the discrepancy between the Plan and the Character Assessment and this circumstance, I consider View 8 should be deleted from the policy in the interests of achieving sustainable development and so that the policy provides a practical framework for decision making in accordance with national policy and guidance.

Given that both elements of the policy are too imprecise, I recommend a modification that seeks to make the policy clearer and more precise to enable it to meet the basic conditions. It seeks to ensure that new sustainable development is not prevented, but that any such development respects the key aspects of the identified views and I have taken my lead from the supporting text. The new policy wording would be an

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<sup>39</sup> NPPF para 115

appropriate balance between sustainable development and the conservation of unique local character and distinctiveness.

- **Reword Policy PNP 7 to read:**

***“7.1. The Plan seeks to protect and enhance the setting of Pirton village in relation to the Chilterns Area of Outstanding Natural Beauty and the surrounding rural landscape. Any new development in an area within the views specified below, described on pages 35 – 39 and shown on the map on page 36 of the Plan must ensure that key features of the view can continue to be enjoyed including distant buildings and landscape features, sensitive village edges and rural approaches to the village.***

- 1. The view from Highdown north to the Bury, the village and the Pirton Lowlands beyond***
- 2. The view from Shillington Road and the Driftway looking southwards to Priors Hill (water tower) and St Mary’s Church Tower***
- 3. The view from Punch’s Cross on Hitchin Road north to the SE corner of Pirton village***
- 4. View across to the Chilterns AONB on the approach to the NE corner of village from Holwell Road***
- 5. The view from Priors Hill northeast towards Langford Water Tower and beyond***
- 6. View from Little Lane across the Pirton Lowlands***
- 7. View from Hambridge Way E across the Pirton Lowlands and Hertfordshire to the Letchworth ridge***
- 8. [number 9 renumbered 8] View NNW from the Baulk public footpath across Priors Hill towards the westwards extension of the Chiltern ridge and the famous local landmark of Sharpenhoe Clappers.”***

- **Delete View 8 from the map on page 36 of the Plan**
- **Delete the photograph and description of View 8 from the supporting text on page 38 of the Plan**
- **Renumber [existing] View 9 as “8” on pages 38/39 of the Plan**
- **For the avoidance of doubt the rest of the supporting text, descriptions and photographs of each view and the map should be retained**

## Policy PNP 8 Heritage Assets and Archaeological Heritage

Objective 1 on page 39 is not exactly the same as objective 6 on page 16 of the Plan. In the interests of accuracy this inconsistency should be remedied. Given that in this case the objective on page 39 is more comprehensive than the one on page 16, it is this one that should be substituted as it refers to archaeology as well better reflecting the policy.

Policy PNP 8 is a criteria based policy that sets out the circumstances in which development will be supported in relation to heritage assets. A core planning principle of the NPPF<sup>40</sup> is to “conserve heritage assets in a manner appropriate to their significance”. The NPPF applies to all types and scale of development. The NPPF<sup>41</sup> goes on to indicate the weight to be attached to designated and non-designated heritage assets. The policy does not refer to significance or differentiate between designated (including Scheduled Monuments, Listed Buildings, Conservation Areas) and non-designated heritage assets. Therefore so that the policy takes account of the NPPF, a modification is recommended to criterion 8.1.

Criteria 8.2. and 8.4. require the applicant to consult appropriate sources of information and the Parish Council who are well placed to offer local knowledge. Whilst both criteria are worded flexibly and well, the policy would flow more to provide a practical framework for decision making if these two criteria were connected. A modification is suggested to achieve this.

The existing criterion 8.3. refers to development that affects archaeology alert areas which are then shown on a map on page 42 of the Plan. Whilst this criterion’s general thrust takes account of the advice in the NPPF,<sup>42</sup> this part of the policy should refer to all heritage assets with archaeological interest to align better with the NPPF. In addition it may be that the designation of the alert areas may change during the lifetime of the Plan. Therefore in order to take better account of the NPPF and to ensure that sustainable development is achieved, a modification is recommended. In addition, as I have suggested two of the other criteria are amalgamated, this one needs renumbering.

It is also useful to have a map of the local interest buildings on page 40 of the Plan and of the archaeological alert areas on page 42 which alongside the supporting text for this policy and the map on page 13, provide a sound basis for it.

Subject to these modifications, the policy will help to conserve and enhance the historic environment taking into account national policy and guidance, will be in general conformity with LP 1996 Policy 16 and will help to achieve sustainable development.

- **Change objective 6 on page 16 of the Plan to read “To ensure conservation and enhancement of Pirton’s rich *archaeology and heritage.*”**

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<sup>40</sup> NPPF para 17

<sup>41</sup> *Ibid* Section 12

<sup>42</sup> *Ibid* para 128

- **Reword criterion 8.1. to read: “Proposals conserve or enhance the heritage assets of the Parish and their settings *in a way that is appropriate to their significance*. Heritage assets include *designated* heritage assets and non-designated heritage assets;**
- **Join criterion 8.2. and 8.4. together making a new criterion 8.3.**
- **Change the first sentence of the existing criterion 8.3. to read: “*Development proposals on sites that include or has the potential to include heritage assets with archaeological interest and planning applications for development affecting the archaeology alert areas should be...*” [retain existing criterion as is]**
- **Renumber the existing criterion 8.3. to “8.2.”**

#### **5.4 Amenities and Facilities**

##### **Policy PNP 9 Community Facilities**

Objective 1 on page 44 is not exactly the same as objective 9 on page 16 of the Plan. In the interests of accuracy this inconsistency should be remedied.

There are four criteria in this policy. In general terms the policy plans positively for community facilities and guards against their loss in line with the NPPF.<sup>43</sup>

However, the first criterion, 9.1., supports all development that sustains and enhances community facilities. This ‘blanket’ support may inadvertently result in otherwise unacceptable development being permitted. A modification is therefore recommended to ensure this is avoided in the interests of clarity.

The second criterion requires development to identify their impact on facilities, services and infrastructure. Whilst I understand the rationale for this policy, this potentially is an onerous requirement particularly for smaller scale development. Therefore a modification is recommended to include flexibly in the policy so that a practical framework for decision making can be provided.

Like the first criterion, the third criterion supports development in a generalised way. Therefore a modification is made to address this in the interests of clarity.

The last criterion refers to the loss of community facilities and is clearly worded, relying on viability tests.

- **Change objective 1 on page 44 of the Plan to read “To sustain and enhance**

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<sup>43</sup> NPPF paras 28 and 70

**community facilities for the benefit of all residents *and the wider local community* (including those with a disability)”**

- **Reword criterion 9.1. to read: “*New or improved community facilities for the benefit of residents (including those with a disability) will be supported subject to their compatibility with other policies in the development plan.*”**
- **Add “*Non-householder residential development and major...*” at the beginning of criterion 9.2.**
- **Reword criterion 9.3. to read: “*Development which makes a contribution to the rural economy by creating, facilitating or improving opportunities to work in the Parish or by providing or enhancing recreational facilities and opportunities to improve health and well-being will usually be supported.*”**

## **Policy PNP 10 Support for Local Business**

Policy PNP 10 covers a number of issues taking a positive approach to sustainable new development that will help to promote a strong rural economy in line with the NPPF.<sup>44</sup>

As well as supporting business opportunities, home based working and the diversification of farm buildings, it promotes public transport and visitor access to the area. It meets the basic conditions and will help to achieve sustainable development with one exception; criterion 10.6. which refers to signage and information boards is not a development and use of land matter. Therefore this criterion should be removed from the policy, but can be included as a clearly identifiable community aspiration if desired.

- **Delete criterion 10.6. from Policy PNP 10 and include it as a community aspiration if desired**

## **5.5 Transport and Connectivity**

### **Policy PNP 11 Safety of Pedestrians, Cyclists, Equestrians and Motorists**

Similar to points made before in relation to other policies in the Plan, the policy begins by giving ‘blanket’ support to development that provides appropriate access. Therefore in the interests of clarity, a modification is made to address this. Subject to this modification the policy is clearly worded and will promote sustainable transport in the Parish in line with the thrust of the NPPF.

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<sup>44</sup> NPPF para 28

- Delete the words “will be supported that:” from the first sentence of the policy and replace with “Development proposals *will be required to:*”

## Policy PNP 12 Connectivity

The basic premise of this policy which is to protect and enhance connectivity and opportunities for the use of sustainable travel modes is in line with the basic conditions. However, the four criteria of the policy all need some revision to ensure that the policy is both reasonable and clear in order to provide the practical framework for decision making sought by national policy and guidance.

Again, similar to Policy PNP 11, the first sentence offers ‘blanket’ support for development proposals and so should be changed in the interests of clarity.

It is important that the policy has sufficient flexibility in providing a balance between ensuring that any opportunities are taken to improve connectivity and the viability and deliverability of any development proposal. This is particularly the case where it would be unreasonable to expect householder development to provide a new footpath link for example. In order to ensure this balance, a modification is made to criterion 12.1.

Criterion 12.2. requires some amendment to tie it to the routes provided as a result of the development as otherwise it is too widely applicable and some of the items listed are not development and use of land related.

Criterion 12.3 requires a small amendment at the start so that the policy reads well. In addition like criterion 12.1., it is important to ensure that a balance is struck and that such requirements would not prevent otherwise sustainable development from taking place.

The last criterion, 12.4., again requires more flexibility so that it provides a practical framework for decision making.

- Delete the words “will be supported that:” from the first sentence of the policy and replace with “Development proposals *will be required to:*”
- Add the words “*wherever it is appropriate given the scale of the development and there is an opportunity to do so*” at the end of criterion 12.1.
- Change criterion 12.2 to read: “Ensure that streetscape features along *any* pedestrian or cycle routes *provided or improved by the proposal are of a design which reinforces or enhances* the character of Pirton.”
- Change the first word in criterion 12.3. “Improves” to “*Improve*” and add the words “*wherever there is an opportunity to do so in relation to the network of public footpaths in the Parish*” at the end of this criterion

- **Add the words “*unless a satisfactory alternative providing equivalent or better provision can be achieved.*” to the end of criterion 12.4.**

### Policy PNP 13 Car Parking

This policy seeks to ensure that sufficient parking is provided for new developments. It refers to NHDC requirements, but increases the provision for larger houses of 3 bedrooms or more. The present NHDC requirements are currently contained in a Supplementary Planning Document (SPD) “Vehicle Parking At New Developments”, adopted by NHDC on 10 November 2011. The same standards are contained in Appendix 4 of the emerging Local Plan. For one bedroomed properties, the standard is a minimum of one space is required and for two or more bedrooms, a minimum of two spaces. Both documents explain that a reduced provision will only be considered in exceptional circumstances.

Policy PNP 13 refers and relies on NHDC standards, but in relation to three or more bedroomed houses seeks “at least 3 car parking spaces”. It therefore introduces a new tier of parking standard differentiating between two and three bedroomed houses.

The NPPF<sup>45</sup> permits the setting of local parking standards. The policy has been derived taking the level of car ownership in the Parish into account as well as concerns about narrow village roads, congestion and the availability of public transport. The policy’s justification provides a case to introduce a higher standard for this size of house to help manage the local road network. In addition, the policy also offers flexibility in the provision of parking bays if on-site provision cannot be achieved. However, the requirement for “at least 3 car parking spaces” in effect means that four would be required. This is excessive and little compelling evidence has been presented to support this figure. Therefore to ensure that the policy is reasonable and mirrors the language used in NHDC’s standards, thereby providing a practical framework for decision making in line with national policy and guidance, a modification is recommended. This will mean that three spaces are to be provided as a minimum, one more than the District currently seeks.

It should be noted that page 71 of the Character Assessment refers to “at least” three spaces. Given the modification recommended below, consideration should be given to ensuring that the two documents are consistent.

- **Replace the words “at least” in criterion 13.1 of the policy with “*a minimum of*”**

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<sup>45</sup> NPPF para 39



## 6. Non Planning Policy Issues

The first part of this section encourages developers to have an ongoing dialogue with the Parish Council and the community. This positive stance is to be welcomed.

The second part refers to monitoring. Whilst this is not a mandatory requirement, I regard this as good practice and I welcome its inclusion in the Plan.

## 7. Evidence Base Documents

A list of supporting documents and links is usefully included.

## 8. List of Abbreviations and Glossary

Again both lists are helpfully included. There are two minor revisions; under “Examiner”, examiners do not have to be sanctioned by Locality and the definition of strategic policies is confusing so in the interests of accuracy these should be modified.

- **Delete the words “sanctioned by Locality” in the explanation of “Examiner” in the glossary of terms on page 54 of the Plan**
- **Change the definition of “Strategic Policies” on page 55 of the Plan to read: *“The policies in the Local Plan which cover such matters as housing, employment, retail, leisure and other commercial development, infrastructure, health, community and cultural facilities, climate change, natural and historic environments and other strategic policy issues that the Neighbourhood Plan must be in general conformity with.”***

## 7.0 Conclusions and recommendations

I am satisfied that the Pirton Neighbourhood Development Plan, subject to the modifications I have recommended, meets the basic conditions and the other statutory requirements outlined earlier in this report.

I am therefore pleased to recommend to North Hertfordshire District Council that, subject to the modifications proposed in this report, the Pirton Neighbourhood Development Plan can proceed to a referendum.

Following on from that, I am required to consider whether the referendum area should be extended beyond the Pirton Neighbourhood Plan area. I see no reason to alter or extend the Plan area for the purpose of holding a referendum and no representations have been made that would lead me to reach a different conclusion. I therefore consider that the Plan should proceed to a referendum based on the Pirton

Neighbourhood Plan area as approved by North Hertofrdshire District Council on 28 January 2014.

*Ann Skippers* MRTPI

Ann Skippers Planning

19 December 2017

## **Appendix 1**

### **List of key documents specific to this examination**

Pirton Neighbourhood Development Plan 2011 -2031 Pre-Examination Version October 2016

Basic Conditions Statement dated October 2016

Consultation Statement dated October 2016

Strategic Environmental Assessment Screening Determination dated April 2016 (CAG consultants)

District Local Plan No.2 with Alterations, Saved policies under Planning and Compulsory Purchase Act 2004 Written Statement September 2007

Vehicle Parking At New Developments Supplementary Planning Document (adopted November 2011)

Local Plan 2011 – 2031 Proposed Submission October 2016 and Sheet 1 Side A Hitchin, Letchworth Garden City and Baldock Areas

North Hertfordshire Local Plan 2011-2031 Schedule of Proposed Additional Modifications

North Hertfordshire District Council Habitat Regulation Assessment Screening Report September 2016

Various documents on the neighbourhood plan website:  
[www.pirtonneighbourhoodplan.org.uk](http://www.pirtonneighbourhoodplan.org.uk)

**List ends**

## Appendix 2

### Questions of clarification to NHDC and the Parish Council

#### Pirton Neighbourhood Plan Examination

#### Questions of clarification from the Examiner to the Parish Council and NHDC

Having completed my initial review of the Neighbourhood Plan (the Plan), I would be grateful if both Councils could kindly assist me as appropriate in answering the following questions which either relate to matters of fact or are areas in which I seek clarification or further information. Please do not send or direct me to evidence that is not already publicly available.

1. Two representations from the Health and Safety Executive and Herts County Council refer to the Wymondley NP. Please can NHDC confirm that these are sent to me or made in error and whether any representations were received from these organisations in respect of the PNP. I appreciate you may need to check with the organisations before coming back to me.
2. A Strategic Environmental Assessment (SEA) Screening Determination dated April 2016 has been submitted. Please i) confirm which version of the PNP was assessed, ii) whether the statutory consultees (Environment Agency, Historic England and Natural England) were specifically consulted on the Screening Determination, iii) whether any reply was received from either the Environment Agency or Historic England and if so please send me copies of those replies and iv) confirm that publicity for the determination made has been undertaken in accordance with Regulation 11 of the Environmental Assessment of Plans and Programmes Regulations 2004 (EAPPR).
3. Regulations 32 and 33 of the Neighbourhood Planning (General) Regulations 2012 (as amended) set out two additional basic conditions to those set out in primary legislation. Only Regulation 32 is applicable to neighbourhood plans and this states “The making of the neighbourhood plan is not likely to have a significant effect on a European site<sup>46</sup> or a European offshore marine site<sup>47</sup> either alone or in combination with other plans or projects.” Please advise me what assessment has been carried out in respect of this basic condition or provide me with sufficient information to enable me to consider whether this basic condition can be complied with.
4. Please update me on the latest position in relation to any planning applications on the site referred to as PT2 in the PNP. Please also draw my attention to any other applications or appeals for sites in the Parish of relevance to housing numbers or housing supply or send me the latest relevant information in this respect.
5. The PNP uses the proposed village development boundary for Pirton from an earlier version of the emerging Local Plan as I understand it. This seems to have been

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<sup>46</sup> As defined in the Conservation of Habitats and Species Regulations 2012

<sup>47</sup> As defined in the Offshore Marine Conservation (Natural Habitats, &c.) Regulations 2007

revised in the submission version of the emerging Local Plan. Is this correct and would there be benefit in updating the village development boundary to align with the emerging Local Plan whilst recognising this is subject to examination? If not, why not?

6. In relation to the proposed Local Green Spaces (LGS) subject to Policy PNP 6, it is helpful for the proposed areas to be shown on a map on page 32 of the PNP, but I must admit to finding it quite hard to locate each of the ten proposed spaces on it. Would it be possible to indicate on the map where each proposed LGS is please or to provide more detailed maps of each proposed area so I can be certain to view the correct areas on my site visit.
7. On a related matter, a representation from Herts County Council suggests that the map and the table on pages 32 and 33 respectively do not tie up. Is this correct? If so, please let me know what the differences are and how this should be remedied.

It may be the case that on receipt of your anticipated assistance on these matters that I may need to ask for further clarification or that further queries will occur as the examination progresses. Please note that this list of clarification questions is a public document and that your answers will also be in the public domain. Both my questions and your responses should be placed on the Councils' websites as appropriate.

With many thanks.  
Ann Skippers  
10 October 2017

The following further query was raised on 30 October:

8. A Heritage Verge is referred to in Policy PNP 4. I cannot find any reference to this anywhere else (apart from a photo in the Character Assessment) and I am not familiar with this designation. Could more information be provided as to its nature and extent please?

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**Pirton Neighbourhood Plan – Schedule of proposed modifications to the neighbourhood plan policies and supporting text**

Where the examiner has recommended modifications, they appear in **bold text**. Where the examiner has suggested specific changes to the wording of the policies or new wording, these appear in ***bold italics***.

Plan Background		
Page no. or other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
All pages	<b>Review the references to page numbers to ensure they are correct including references in paragraphs 1.3.4 (to page 1 which should be the foreword), 1.3.6 (to page 4 which should be page 2)</b>	Agree – changes needed to ensure that the document reads clearly.
Page 3	<b>Update the development boundary map on page 3 of the Plan to reflect the most recent emerging Local Plan map and remove the references on the map to the draft Local Plan</b>	Agree – the change will ensure that the most up to date proposals in the emerging Local Plan are included in the Pirton Neighbourhood Plan.
Page 4	<b>Delete the “Preferred Options Map” and paragraph 1.3.7 from page 4 of the Plan and any references to it throughout the Plan for example on page 20</b>	Agree – the change will ensure that the most up to date proposals in the emerging Local Plan are included in the Pirton Neighbourhood Plan.
Para 1.4.3	<b>Update paragraph 1.4.3 to refer to the SHLAA update in 2016 and correct the title of the SHLAA to “Strategic Housing Land <i>Availability</i> Assessment”</b>	Agree – the change will ensure the accuracy of the Neighbourhood Plan.
Para 1.4.6	<b>Update paragraph 1.4.6 with the latest housing figure available</b>	Agree. The Council’s monitoring figures show that there were 110 permissions and completions in the period between April 2011 and March 2017. The modification will ensure that the Neighbourhood Plan is up to date.

All pages	<b>Consequential renumbering of paragraphs etc. will be needed</b>	Agree – needed to ensure that the document reads clearly.
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Parish Portrait		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Para 2.1.11 Page 10	<b>Review the references to page numbers to ensure they are correct including references in paragraphs 2.1.11 (to page 10)</b>	Agree – changes needed to ensure that the document reads clearly.
Paras 2.1.11 & 2.1.12	<b>Delete the repetition between paragraphs 2.1.11 and 2.1.12 in relation to the Visual Character Area references on page 10 of the Plan</b>	Agree – changes needed to ensure that the document reads clearly.
Page 13	<b>Update the map on page 13 to reflect the revised boundary for the scheduled ancient monument at Priors Hill</b>	Agree. The boundary for the scheduled ancient monument was amended after the neighbourhood plan was prepared. The modification is needed to ensure that the Neighbourhood Plan is up to date.

Page 140



Policy PNP1 – Meeting Local and Wider Need		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 19	<b>Change the policy title to “Policy PNP 1 – Meeting Local and Wider Needs”</b>	Agree – changes needed to ensure that the document reads clearly and accurately.
Page 19	<b>Change the second objective on page 19 of the Plan to read “To encourage sensitive and innovative development in accordance...”</b>	Agree – changes needed to ensure that the document reads clearly and accurately.
Page 19	<b>Add to the end of criterion 1.1 “as shown on the map on page 3 of the Plan”</b>	Agree – changes needed to ensure that the document reads clearly and accurately.
Page 19	<b>Amend criterion 1.5 so that it reads: “It provides a mix of homes (including the provision of self-build plots where appropriate)...”</b>	Agree. The modification will make the policy a little more flexible.
Page 19	<b>Delete the words “...and, how and when repairs to any infrastructure damage caused by the construction process will be rectified.” from criterion 1.7</b>	Agree – the modification will mean that the policy accords with the basic conditions.
Page 19	<b>Delete criterion 1.8 in its entirety</b>	Agree – the modification will mean that the policy accords with the basic conditions.

Policy PNP2 – Design and Character		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 25	<b>Reword criterion 2.3. to read: “<i>The density of any scheme should be consistent and compatible with the existing and prevailing density and reflect the locally distinctive character of the locality in which the new development is proposed so that the village feel is retained.</i>”</b>	Agree – the modification will clarify the policy wording.
Page 25	<b>Delete criterion 2.5. in its entirety (as this is now covered by reworded criterion 2.3)</b>	Agree – the modification will clarify the policy wording.
Page 25	<b>Alter criterion 2.6. to read: “<i>Should take into account the Chilterns Conservation Board Position Statement “Development affecting the setting of the Chilterns AONB June 2011” or as updated.</i>”</b>	Agree – the modification will clarify the policy wording.
Page 25	<b>Add “<i>or appearance</i>” after “...the special character” in criterion 2.9</b>	Agree – the modification will clarify the policy wording.
Page 26	<b>Delete criterion 2.13. in its entirety</b>	Agree – the modification will clarify the policy wording.
Page 25	<b>Change the first sentence of the policy to read: “Residential development proposals will be supported if they are in accordance with the <i>guidance contained in the Pirton Character Assessment and the following principles:</i>”</b>	Agree – the modification will clarify the policy wording.

Policy PNP4 – Hedgerows, Trees and Verges		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 29	<b>Show the extent of the Hitchin Road Heritage Verge on a map and include the map within the Plan</b>	Agree – the modification will ensure that the area to which the policy applies is clear.
Page 29	<b>Add the words “as shown on Map XX” at the end of criterion 4.5</b>	Agree – changes needed to ensure that the document reads clearly.

Policy PNP5 - Wildlife		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 31	<b>Add a key to the map on page 31 of the Plan to indicate both the wildlife sites and the SSSI and ensure that the location of the SSSI is clear on the map</b>	Agree – changes needed to ensure that the document reads clearly.
Page 30	<b>Delete one of the duplicate sentences that reads “The map provided on page 31 shows the location of wildlife areas (shaded blue) and one Site of Special Scientific Interest (SSSI).” from page 30 of the Plan</b>	Agree – changes needed to ensure that the document reads clearly.
Page 30	<b>Add an additional criterion 5.4 to the end of the policy which reads: “5.4. It is expected that development proposals would meet this policy through the submission of appropriate and proportionate information taking into account both the type of development proposed and its location.”</b>	Agree – the modification helps to provide a clear expectation of the information that will be required.

Policy PNP6 – Local Green Spaces		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 33	<b>Change the objective on page 33 of the Plan to read “To <i>protect</i> important green and open spaces...”</b>	Agree - changes needed to ensure that the document reads clearly.
Pages 32 & 33	<b>Identify each of the individual LGSs identified in the table on page 33 of the Plan on a map by revising the map on page 32 of the Plan and/or by the addition of new or more maps given the clarity needed</b>	Agree - changes needed to ensure that the document reads clearly.
Page 32	<b>Ensure that The Knoll and the Blacksmiths Pond are shown on the revised map</b>	Agree - changes needed to ensure that the document reads clearly.
Page 32	<b>Delete the Primary School Playing Fields and the allotments at Bannisters Close from the map</b>	Agree – given that these open spaces were not included in the written text of the neighbourhood plan, the Council agrees with the examiners’ reasons for stating that the sites should not be designated as Local Green Spaces.
Page 32	<b>Change the title of the map on page 32 (or its replacement) to “<i>Local Green Spaces</i>” removing the references to anything else including village open spaces</b>	Agree - changes needed to ensure that the document reads clearly.
Page 33	<b>Change the heading in the table on page 33 from “Designated Green Space” to “Designated <i>Local Green Space</i>”</b>	Agree - changes needed to ensure that the document reads clearly.
Page 33	<b>Add “<i>in the table</i>” after “The areas listed below...” in criterion 6.1 of the policy</b>	Agree - changes needed to ensure that the document reads clearly.
Page 33	<b>Delete criterion 6.2 of the policy in its entirety</b>	Agree – the modification will mean that the policies are clear.

Page 33	<b>Renumber criterion 6.3 of the policy "6.2"</b>	Agree - changes needed to ensure that the document reads clearly.
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Policy PNP7 – Key Views and Vistas		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 34	<p>Reword Policy PNP7 to read:</p> <p><b><i>“7.1. The Plan seeks to protect and enhance the setting of Pirton village in relation to the Chilterns Area of Outstanding Natural Beauty and the surrounding rural landscape. Any new development in an area within the views specified below, described on pages 35 – 39 and shown on the map on page 36 of the Plan must ensure that key features of the view can continue to be enjoyed including distant buildings and landscape features, sensitive village edges and rural approaches to the village.</i></b></p> <ol style="list-style-type: none"> <li><b><i>1. The view from Highdown north to the Bury, the village and the Pirton Lowlands beyond</i></b></li> <li><b><i>2. The view from Shillington Road ad the Driftway looking southwards to Priors Hill (water tower) and St Mary’s Church Tower</i></b></li> <li><b><i>3. The view from Punch’s Cross on Hitchin Road north to the SE corner of Pirton village</i></b></li> <li><b><i>4. View across to the Chilterns AONB on the approach to the NE corner of village from Holwell Road</i></b></li> <li><b><i>5. The view from Priors Hill northeast towards Langford Water Tower and beyond</i></b></li> <li><b><i>6. View from Little Lane across the Pirton Lowlands</i></b></li> <li><b><i>7. View from Hambridge Way E across the Pirton Lowlands and</i></b></li> </ol>	<p>Agree. The examiner has set out the reasons why the policy needs to be amended.</p>

	<b><i>Hertfordshire to the Letchworth ridge</i></b> <b>8. [number 9 renumbered 8] View NNW from the Baulk public footpath across Priors Hill towards the westwards extension of the Chiltern ridge and the famous local landmark of Sharpenhoe Clappers."</b>	
Page 36	<b>Delete View 8 from the map on page 36 of the Plan</b>	Agree – the suggested amendment is sensible given that planning permission has been granted for development of this site.
Page 38	<b>Delete the photograph and description of View 8 from the supporting text on page 38 of the Plan</b>	Agree – changes needed to ensure that the document reads clearly.
Pages 38 & 39	<b>Renumber [existing] View 9 as "8" on pages 38/39 of the Plan</b>	Agree – changes needed to ensure that the document reads clearly.
Pages 38 & 39	<b>For the avoidance of doubt the rest of the supporting text, descriptions and photographs of each view and the map should be retained</b>	Agree.

Policy PNP8 – Heritage Assets and Archaeological Heritage		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 16	<b>Change objective 6 on page 16 of the Plan to read "To ensure conservation and enhancement of Pirton's rich <i>archaeology and heritage.</i>"</b>	Agree – changes needed to ensure that the document reads clearly and consistently throughout.
Page 39	<b>Reword criterion 8.1. to read: "Proposals conserve or enhance the heritage assets of the Parish and their settings <i>in a way that is appropriate to their significance.</i> Heritage assets include <i>designated</i> heritage assets and non-designated heritage assets;</b>	Agree – the proposed modification reflects the NPPF.

Page 39	<b>Join criterion 8.2. and 8.4. together making a new criterion 8.3.</b>	Agree – changes needed to ensure that the document reads clearly.
Page 39	<b>Change the first sentence of the existing criterion 8.3. to read:</b> <i>“Development proposals on sites that include or has the potential to include heritage assets with archaeological interest and planning applications for development affecting the archaeology alert areas should be...”</i> [retain existing criterion as is]	Agree – the proposed modification reflects the NPPF.
Page 39	<b>Renumber the existing criterion 8.3. to “8.2.”</b>	Agree – changes needed to ensure that the document reads clearly.

Policy PNP9 – Community Facilities		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 44	<b>Change objective 1 on page 44 of the Plan to read “To sustain and enhance community facilities for the benefit of all residents <i>and the wider local community</i> (including those with a disability)”</b>	Agree – changes needed to ensure that the document reads clearly and consistently throughout.
Page 44	<b>Reword criterion 9.1. to read: “<i>New or improved community facilities for the benefit of residents (including those with a disability) will be supported subject to their compatibility with other policies in the development plan.</i>”</b>	Agree – the modification makes the policy clearer.
Page 44	<b>Add “Non-householder residential development and major...” at the beginning of criterion 9.2.</b>	Agree – the modification makes the policy flexible.
Page 44	<b>Reword criterion 9.3. to read: “<i>Development which makes a contribution to the rural economy by creating, facilitating or improving opportunities to</i></b>	Agree – the modification makes the policy clearer.



	<b><i>work in the Parish or by providing or enhancing recreational facilities and opportunities to improve health and well-being will usually be supported.”</i></b>	
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Policy PNP10 – Support for Local Business		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 45	<b>Delete criterion 10.6. from Policy PNP 10 and include it as a community aspiration if desired</b>	Agree.

Policy PNP11 – Safety of Pedestrians, Cyclists, Equestrians and Motorists		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 48	<b>Delete the words “will be supported that:” from the first sentence of the policy and replace with “Development proposals <i>will be required to:</i>”</b>	Agree – the modification makes the policy clearer.

Policy PNP12 - Connectivity		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 48	<b>Delete the words “will be supported that:” from the first sentence of the policy and replace with “Development proposals <i>will be required to:</i>”</b>	Agree – the modification makes the policy clearer.
Page 48	<b>Add the words “<i>wherever it is appropriate given the scale of the development and there is an opportunity to do so</i>” at the end of criterion 12.1.</b>	Agree – to ensure that there is sufficient flexibility in the policy.
Page 48	<b>Change criterion 12.2 to read: “Ensure that streetscape features along <i>any</i> pedestrian or cycle routes <i>provided or improved by the proposal are of a design which reinforces or enhances</i> the character of Pirton.”</b>	Agree – to ensure that the policy is clear and that it can be applied.
Page 48	<b>Change the first word in criterion 12.3. “Improves” to “Improve” and add the words “wherever there is an opportunity to do so in relation to the network of public footpaths in the Parish” at the end of this criterion</b>	Agree – to ensure that the policy reads well.
Page 48	<b>Add the words “<i>unless a satisfactory alternative providing equivalent or better provision can be achieved.</i>” to the end of criterion 12.4.</b>	Agree – to ensure that the policy is more flexible and provides a framework for decision making.

Policy PNP13 – Car Parking		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 49	<b>Replace the words “at least” in criterion 13.1 of the policy with “a minimum of”</b>	Agree – this modification makes the policy clear in terms of the car parking standards required within developments.

List of Abbreviations and Glossary		
Page no. / Other reference	Examiners Proposed Modifications	North Hertfordshire District Council comments
Page 54	<b>Delete the words “sanctioned by Locality” in the explanation of “Examiner” in the glossary of terms on page 54 of the Plan</b>	Agree – the modification ensures the accuracy of the neighbourhood plan.
Page 55	<b>Change the definition of “Strategic Policies” on page 55 of the Plan to read:</b> <i>“The policies in the Local Plan which cover such matters as housing, employment, retail, leisure and other commercial development, infrastructure, health, community and cultural facilities, climate change, natural and historic environments and other strategic policy issues that the Neighbourhood Plan must be in general conformity with.”</i>	Agree – the modification makes the plan clear.

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**CABINET**  
**23 JANUARY 2018**

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**12**

**TITLE OF REPORT: SALE OF LAND AT LUMEN ROAD, ROSYTON**

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 The majority of the land at this site was sold to Aldwyck Housing Group in 2014. This section of the land was excluded from the sale on the basis that it was highways land. However the land belongs to the District Council and Aldwyck have now made an offer to purchase the land from the District Council and are looking for ways to develop the land This land will allow Aldwyck to build an additional residence and change the size of some of the other planned properties. An undervalue sale is recommended to allow for the development of additional shared ownership housing in the District.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet agrees the sale of the land at Lumen Road in Royston for £25,000 to Aldwyck Housing Group.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To get a capital receipt from the sale of the site.
- 3.2 To provide additional housing in the District.
- 3.3 To avoid the maintenance costs involved in owning a small parcel of land.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The owner of the rest of the site is the only organisation that would have any interest in this piece of land, and is therefore a special purchaser. It would be possible to continue negotiations to try and get a higher offer. However Aldwyck could choose to just develop the land that they already own, which would result in the loss of a capital receipt, would slightly reduce the amount of housing on the site and would leave an ongoing maintenance liability for the land.

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

- 5.1 Consultation was undertaken as part of the original sale. No further consultation has been undertaken.

## **6. FORWARD PLAN**

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

## **7. BACKGROUND**

- 7.1 The majority of this site was sold to Aldwyck Housing Group in 2014. It was originally intended to sell the whole site and an amount was agreed for this. However there was an issue with part of the site in that it was highways land. This strip of land (shown edged in black on the plan in appendix 1) was therefore excluded from the sale, but there was no adjustment made to the purchase price. The whole site was contaminated land and the sale price was based on an initial value with deductions for the costs incurred in clearing the site.
- 7.2 Aldwyck plan to use the whole site for shared ownership housing.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 Aldwyck Housing Group are therefore a special purchaser in relation to the additional strip of land as it would allow them to increase the number and mix of properties that can be built on the site. Based on valuations undertaken by an independent Chartered Surveyor and Registered Valuer employed by Aldwyck the value of the extra strip of land is £92k (based on a shared ownership scheme). However given the history of the sale and the overall value of the site, Aldwyck believe that they have already paid for this land. The Council are obliged to try and get best consideration for all land sales and have negotiated on the basis of this being a separate transaction.
- 8.2 Following negotiations, Aldwyck have now offered £25k and whilst this is at an undervalue, Cabinet are recommended to accept this offer. This is on the basis that it will promote the improvement of economic and social well-being in the District by the provision of additional shared ownership housing. Given that at one stage there was an intention to sell the whole site for the price that was eventually paid for the majority of the site, the undervalue is considered acceptable. Furthermore, any sale needs to make financial sense for Aldwyck and they could just develop the slightly smaller area, which would mean that:
- The Council does not receive any additional capital receipt
  - There would be one less property developed on the site, which the Council could have received New Homes Bonus for.
  - The Council would be required to continue to maintain the strip of land, which would then have no value.

## **9. LEGAL IMPLICATIONS**

- 9.1 The disposal of land and buildings where the purchase price is below £250,000 is delegated to Officers. However where sales are proposed to be at an undervalue then there is a requirement that it is considered whether they should be referred to Cabinet for a final decision.
- 9.2 Section 123(1) of the Local Government Act 1972 gives a Local Authority the power to dispose of land but requires that the Secretary of State consents to any disposal at less than the best consideration reasonably obtainable. The Secretary of State has issued a General Disposals Consent which permits the disposal of land at less than best consideration if:

a) *the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;*

*i) the promotion or improvement of economic well-being;*

*ii) the promotion or improvement of social well-being;*

*iii) the promotion or improvement of environmental well-being; and*

b) *the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).*

The proposed disposal of this land falls within the terms of the General Disposals Consent.

## **10. FINANCIAL IMPLICATIONS**

10.1 The income from the sale is required to be treated as a capital receipt. This would be used to fund future capital expenditure. In line with the flexible use of capital receipts direction this could also be used on the revenue costs of reform projects.

## **11. RISK IMPLICATIONS**

11.1 As highlighted in paragraph 8.2, there is a risk that if this sale is not agreed then Aldwyck will choose to just develop the land that they already own.

## **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 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 Human Resource implications arising from this report.

## **15. APPENDICES**

15.1 Appendix 1 - Location plan showing the original site and the land that is now proposed to be sold (edged in black).

## **16. CONTACT OFFICERS**

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

- 16.2 David Charlton, Senior Estates Surveyor, Tel 474320, email [david.charlton@north-herts.gov.uk](mailto:david.charlton@north-herts.gov.uk)
- 16.3 Marie Searle, Property Solicitor, Tel 474315, email [marie.searle@north-herts.gov.uk](mailto:marie.searle@north-herts.gov.uk)
- 16.4 Kerry Shorrocks, Corporate Manager Human Resources, Tel 474224, email [kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)
- 16.5 Reuben Ayavoo, Senior Policy Officer, Tel 474212, email [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)












**17. BACKGROUND PAPERS**

- 17.1 Cabinet report, 22 March 2011, Minute 124.
- 17.2 Cabinet report, 1 November 2012, Minute 66.
- 17.3 Cabinet report, 28 January 2014, Minutes 104 and 106.





**Materials Legend**

-  Block Paving - Brindle
-  Tarmac
-  Patio paving
-  Pathways
-  New Planting Beds
-  Application site boundary
-  Featherboard fencing & gates
-  1200mm high metal hoop-top railings/gates
-  New trees
-  Existing trees to be retained
-  Existing trees to be removed

**Parking Restrictions**

-  Proposed Double Yellow line 'no waiting at any time'
-  Proposed Single Yellow line 8.30am to 9.30am Mon-Fri restrictions
-  Existing Double Yellow line restriction
-  Existing restriction - permit holders only Mon-Fri 10am-11am

**Accommodation**

General Needs Housing  
 A- 3no. 2 bed 4p - 85.5m<sup>2</sup>  
 B- 2no. 3 bed 5p - 102m<sup>2</sup>  
 C- 1no. 2 bed 4p - 85.5m<sup>2</sup>  
 1no. 3 bed 5p - 102m<sup>2</sup>

General Needs Flats  
 4no. 2 bed 4p - 73.0m<sup>2</sup>  
 4no. 2 bed 4p - 72.0m<sup>2</sup>  
 2no. 2 bed 4p - 76.0m<sup>2</sup>

2 spaces/per 2 bed House  
 2 spaces/per 3 bed House  
 1.75 spaces/per 2 bed Flat  
 28no. parking spaces


**Total: 15no. Dwellings**  
**Total 28no. parking spaces**  
 Site area = 0.28Ha  
 Density = 58 dwellings/ha



Scale 1:200

- D 18/4/17 Block paving colours amended, paths amended
- C 28/3/17 Parking restrictions added
- B 15/3/17 Plot 5 amended to 3-bed house
- A 13/3/17 Type B detached house omitted, terrace to Mill Road extended

**PLANNING**

Project site Aldwyck Lumen Road		 Kyle Smart Associates <small>inc. arch. agents, consultants                  building services, civil &amp; structural                  engineering, interior design, project                  management, quantity surveying &amp;                  Chartered Architects</small>
Drawing title Proposed Site Plan		
Drawing no. 15056wz2.03	Rev. D	
Scale 1:200 (A1)	Date Jan-17	Drawn by CH
		Checked by CW

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<b>CABINET</b> <b>23 JANUARY 2018</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>13</b>
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**TITLE OF REPORT: NORTH HERTFORDSHIRE MUSEUM & HITCHIN TOWN HALL:  
ACQUISITION OF 14/15 BRAND STREET**

REPORT OF THE CHIEF EXECUTIVE  
EXECUTIVE MEMBER FOR COMMUNITY ENGAGEMENT & RURAL AFFAIRS  
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

The purpose of this report is to further advise Cabinet of the progress of discussions for the acquisition of 14 and 15 Brand Street from Hitchin Town Hall Ltd (HTHL). Such an acquisition would allow the building to operate as intended by the Council in an integrated way for the local community following the withdrawal of funding to HTHL from the Social Investment Business (SIB).

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes the current position in relation to the negotiations.
- 2.2 That Cabinet requires officers to progress the alternative options as detailed in this report to enable the museum to open fully (whilst keeping open the possibility of a negotiated settlement).
- 2.3 That Cabinet note that approval of some elements of any settlement agreement may be required from the Cabinet Sub-Committee (Council Charities).

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To enable the Council to complete the development of the North Hertfordshire Museum/Hitchin Town Hall project as intended by Council and operate the facility for the benefit of the local community.
- 3.2 To protect the Council's interests and obtain best return from the Council's existing investment and to secure projected income from the facility to offset some of the operational and fixed costs.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The options to open the facility without occupancy of 14/15 Brand Street has been fully investigated and a number of options are available to the Council. Whilst the preferred option is through the agreed acquisition of land formerly known as 14/15 Brand Street

this has not proved possible on terms agreeable to the Council despite over 15 months of negotiation. A costed options appraisal considering a number of scenarios for the occupation of the land which the Council currently owns has also been undertaken to guide the commercially confidential negotiations. The potential compulsory purchase of the properties known as 14/15 Brand Street is an option that has been investigated, and is being further explored via further specialist advice to enable the facility to operate as envisaged by the scheme which has the benefit of planning permission.

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

- 5.1 Consultation on the general parameters for seeking to acquire 14/15 Brand Street as authorised by Full Council on 20 January 2016 has been on going with Executive Members prior to engaging in discussions with HTHL and HTH Finance Ltd.

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision, which has been notified to the public in the Forward Plan on 22 December 2017.

## **7. BACKGROUND**

- 7.1. The decision making history in relation to this project is extensive and has been reported to both Council and Cabinet on a number of occasions. The reports are available on the website (<https://www.north-herts.gov.uk/home/museums/north-hertfordshire-museum-and-hitchin-town-hall/hitchin-town-hall-museum-proposals>).
- 7.2. As Cabinet will be aware, under the terms of the Development Agreement HTHL were to provide finance to the project in the sum of £550k (£490k for Hall and £60k for kitchen fit-out) and transfer the former 14/15 Brand Street to the Council Charity, in return for a lease over the main Mountford Hall. With the breakdown in the relationship between the parties, the Council has had to make additional funding available to replace the contribution of £550k which was not forthcoming, but the ownership of the former 14/15 Brand Street remains with HTHL.
- 7.3. It should be noted that Council has approved in principle the acquisition of 14/ 15 Brand Street to allow the project to be completed in line with the original plans, subject to the financial limits as set out in the Council's Constitution.
- 7.4. Discussions have taken place in the latter part of 2016 and throughout 2017 with HTHL and HTH Finance Ltd and it has been made very clear that in order to make a bid for the property the Chief Finance (s151) Officer would need to ensure that it was offering value for money to the Council Tax payer. Given that the agreed amount was considered to be at full market value, this meant that any conditions attached to the purchase could not be too onerous. This approach has also been confirmed with the Council's External Auditor. It was agreed at the start of the negotiation process that to set aside previous disagreements the meetings would be conducted between Stephen Pike Chairman of HTHL, John Ray Director of HTH Finance, NHDC Chief Executive and NHDC Chief Finance Officer.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 Since the December meeting of Cabinet there has been some exchange of correspondence between NHDC and HTHL/HTHF. Whilst HTHL and HTHF have asserted in correspondence that they now have no objections to negotiations taking

place in public, the fiduciary duty placed upon the Council means that where matters are commercially or legally confidential then they are treated in such a manner. The Part 2 report details the fundamental concerns that exist in relation to the HTHL version of the draft agreement.

- 8.2 NHDC has reviewed again the version of the draft agreement and has considered this in relation to the acceptability for a charitable organisation such as HTHL. There is no apparent legal reason that would prevent HTHL agreeing to the provisions within the NHDC proposed Settlement Agreement in Part 2 by virtue of being a charitable organisation
- 8.3 A further update will be provided at the Cabinet meeting.

## **9. LEGAL IMPLICATIONS**

- 9.1 The general power of competence contained within the Localism Act 2011 came into force on 18<sup>th</sup> February 2012 and effectively replaced the previous wellbeing powers. The statutory General Power of Competence gives a local authority the power to do “anything that individuals generally may do”. Section 1 (4) of the same Act confirms that using such power the local authority may do so for the benefit of the Authority, its area or persons resident in the area.
- 9.2 The Authority has power under Section 144 of the Local Government Act 1972 to provide or encourage any other person or body to provide, facilities to encourage visitors, for conferences, trade fairs and exhibitions or improve or encourage any other person or body to do so for any existing facilities. It has powers under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 to provide recreational facilities, buildings, equipment to the extent that these do not cover the current proposals that the general Power of Competence referred to in section 9.1 can be relied upon.
- 9.3 The Council is currently in an ongoing contractual dispute with HTHL in respect of the project and a number of statutory demands have been lodged with HTHL seeking payment of monies owed to the Council. In the event of agreement being reached for the purchase of 14/15 Brand Street from HTHL to enable them to repay their debt to HTH Finance Ltd, it is almost inevitable that these sums will have to be written off. However any agreement for purchase will include that there will be no legal claims brought by either party against the other, thereby avoiding potentially protracted (and therefore expensive) litigation. It is important that any settlement agreement is comprehensive and ensures all potential elements of claim, by any party, are covered.
- 9.4 Paragraph 5.6.20 of the Council's Constitution provides that Cabinet's terms of reference include “to approve the purchase or appropriation of land and buildings where the sale price...exceeds £250,000 and does not exceed £2,500,000.”
- 9.5 The Council has various powers under the Local Government Act 1972 and the Planning Act to compulsorily acquire land or buildings under Compulsory Purchase Powers. Initial consideration has been given to the circumstances that exist in relation to the delivery of a scheme that has the benefit of planning permission (and indeed has been constructed pursuant to the Development Agreement between the Council and HTHL). In such circumstances it would appear that such an approach is supportable.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Prior to consideration of the developments described in the body of the report the Council's total capital expenditure on this project stood at £5.329m of which £0.874m is funded by the contribution from the Heritage Lottery Fund towards the fit out of the Museum.
- 10.2 A decision not to acquire 14/15 Brand Street would provide a compromised offer to the public and would restrict the full income generation prospects of the building. As it seemed possible to acquire 14/15 Brand Street for a similar amount to the cost of the most operationally desirable separation works, resulting in the Council owning a building with service provision as originally envisaged and with greater income generation opportunities, this would seem to offer better value for money to Council tax-payers. Given the difficult progression of negotiations and in the event that acquisition by private treaty does not prove possible then the Council could consider exercising its compulsory purchase powers to acquire the property. In either of these circumstances the Council would also have a property with an enhanced asset value.
- 10.3 The potential costs of compulsory purchase need to be investigated further as they will include the final acquisition cost and potentially significant legal costs. The legal costs would need to be funded from revenue rather than capital budgets.
- 10.4 The alternative approach of modifying the building to allow access would be achievable as an alternative and it is now proposed to prepare and submit the necessary applications for Listed Building Consent. Such applications would need to be considered by the Council's Planning Control Committee and then submitted to the Secretary of State for determination.
- 10.5 The Council's external auditor has been kept aware of negotiations as they have progressed.

## **11. RISK IMPLICATIONS**

- 11.1 The risk implications arising from this report are largely:
- Financial – further delay in opening or not being able to open the facility or prevent achievement in the forecasted income, failure to obtain best return from the existing capital investment and would mean that existing museum staff may not be fully utilised. The operation of the town hall may also be compromised because of the difficulties in access (particularly to the first floor) to staff and members of the public.
  - Operational – uncertainty concerning opening preventing marketing and booking of visiting exhibitions.
- 11.2 The North Hertfordshire Museum and Hitchin Town Hall Project is a corporate risk and this is monitored through the Finance Audit and Risk Committee. In addition there is a detailed project risk log that is monitored and discussed by project board.
- 11.3 Failure to reach agreement with HTHL is likely to result in litigation brought by either the Council, or HTHL, or both. Such litigation is likely to be complex, protracted and expensive and would divert Council resources away from undertaking other activities.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 12.2 that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 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.
- 12.3 The proposals made in this report do not in themselves alter the overall project design as previously reported, but seek to ensure that in ensuring momentum to the existing contracts etc, a facility to meet the needs of all communities in North Herts can be completed and brought into community use. The report also suggests consideration of management arrangements for the facility which will be subject to the Public Sector Equality Duty. With or without the footprint of 14/15 Brand Street the new facility will enhance the experience for all visitors, including those with disabilities, although it is accepted that the building as originally designed with the footprint of 14/15 Brand Street would provide the optimum solution.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not yet 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 paragraphs 12. Any individual award of a public service contract which may arise following subsequent review of the Council's operation of the hall over the next two/three years will be evaluated in terms of its social value through the Council's agreed procurement processes.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 The Human Resources implications arising from this report are associated with the significant additional workload on the Senior Officers and Project Team Members and the need to recruit, train and manage a staff team to operate the Museum and Town Hall facilities. This is currently mitigated by the reallocation of resources from less time sensitive projects but this situation cannot be sustained.
- 14.2 The demands of this project have required the temporary transfer of Senior Managers and Project Support staff to the Hitchin Town Hall project to develop alternative options and to minimise risk. The additional time having to be committed to this project including that of Chief Officers has created pressures and delays on other important work programmes elsewhere.
- 14.3 The Museum staff have been through a formal consultation process on a proposed restructure. The current uncertainty will be of concern particularly with the Museum staff with the ongoing delay in the full opening of the Museum.

## **15. APPENDICES**

None.

**16. CONTACT OFFICERS**

David Scholes  
Chief Executive  
Tel: 01462 474300  
[david.scholes@north-herts.gov.uk](mailto:david.scholes@north-herts.gov.uk)

Anthony Roche  
Deputy Chief Executive  
Tel: 01462 474588  
[anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk)

Jeanette Thompson  
Acting Corporate Legal Manager & Monitoring Officer  
Tel: 01462 474370  
[jeanette.Thompson@north-herts.gov.uk](mailto:jeanette.Thompson@north-herts.gov.uk)

Kerry Shorrocks  
Corporate Manager Human Resources  
Tel: 01462 474224  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)

Ian Couper  
Head of Finance Performance & Asset Management  
Tel: 01462 474297  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)

**17. BACKGROUND PAPERS**

Project history and reports at:  
<https://www.north-herts.gov.uk/home/museums/north-hertfordshire-museum-and-hitchin-town-hall/hitchin-town-hall-museum-proposals>



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**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.

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