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25 January 2019

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To: The Chairman and Members of North Hertfordshire District Council

You are invited to attend a

MEETING OF THE COUNCIL

to be held in the

COUNCIL CHAMBER, COUNCIL OFFICES, GERNON ROAD, LETCHWORTH GARDEN CITY

on

THURSDAY, 7 FEBRUARY 2019

at

7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

Agenda
Part I

7. **ITEM REFERRED FROM CABINET: 29 JANUARY 2019 - REVENUE BUDGET 2019/20** 45 - 74
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the revenue budget for 2019/20 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level, for recommendation to Council.

8. **ITEM REFERRED FROM CABINET: 29 JANUARY 2019 - INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)** 75 - 128
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the Investment Strategy (which replaces the Capital Programme and Treasury Strategy) and recommend to Council its adoption.

9. **PAY POLICY STATEMENT 2019/20** 129 - 142
REPORT OF THE CORPORATE HUMAN RESOURCES MANAGER

To receive the Annual report to Council with the years new Pay Policy Statement.

10. **VOLUNTARY REDUNDANCIES** 143 - 146
REPORT OF THE SERVICE DIRECTOR – CUSTOMERS & SERVICE DIRECTOR – LEGAL & COMMUNITY

To consider proposals for voluntary redundancies.

11. **NOTICE OF MOTIONS**
To consider any motions, due notice of which have been given in accordance with Standing Order 4.8.12.

12. **QUESTIONS FROM MEMBERS**
To consider any questions submitted by Members of the Council, in accordance with Standing Order 4.8.11 (b).

13. **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.

14. **VOLUNTARY REDUNDANCIES** 147 - 154
REPORT OF THE SERVICE DIRECTOR – CUSTOMERS & SERVICE DIRECTOR – LEGAL & COMMUNITY

To consider proposals for voluntary redundancies.

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COUNCIL
7 FEBRUARY 2019

PUBLIC DOCUMENT

TITLE OF REPORT: REGENERATION OF CHURCHGATE SHOPPING CENTRE – UPDATE AND ALTERNATIVE OPTIONS

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

1. EXECUTIVE SUMMARY

1.1 Full Council considered proposals for the Churchgate Centre at its meeting on 22 November 2018. In light of the risks associated with the proposals, including the reliance on funding from the Local Enterprise Partnership, officers were asked to urgently consider in more detail alternative options in the event that the Shearer Property Group proposals were unable to proceed. This report updates on the outcome of the bid for funding and sets out alternative options for Full Council's consideration.

2. RECOMMENDATIONS

2.1 That Full Council notes the outcome of the bid to the Hertfordshire Local Enterprise Partnership and that the proposed regeneration with Shearer Property Group previously endorsed by Full Council will therefore not proceed.

2.2 That Full Council approve the principle of purchasing the leasehold interest for the Churchgate Shopping Centre, subject to further consideration of the economic case for doing so.

2.3 That Full Council agrees that any regeneration of Churchgate and the surrounding area must be a viable investment that maintains a return to the Council.

2.4 That officers are instructed to continue to consider a range of potential solutions in order to allow the flexibility needed to identify possible viable investments, subject to further Council decision in due course on the acceptability of any such solutions.

2.5 That Full Council agrees the previously approved transfer of up to £130k from the Special Reserve be used to progress the further work required by resolutions 2.2 and 2.4.

2.6 That the Chief Executive, Deputy Chief Executive and Director of Resources, in consultation with:-

(1) the Leader of the Council, Executive Member for Finance and IT and Opposition Group Leaders;
(2) Hertfordshire County Council; and
(3) Hertfordshire LEP

determine which proposal should be submitted as a phase 1 bid for the Future High Streets Fund.

3. REASONS FOR RECOMMENDATIONS

3.1 The Council has been seeking to regenerate the Churchgate Centre for a number of years and a number of different proposals have been considered during that time, with none of those proposals progressing to a successful conclusion. The lessons learned from those previous unsuccessful attempts to regenerate the Churchgate Centre and surrounding area show that having control over the whole site (including the Churchgate Centre by owning the long leasehold interest) and being flexible as to potential solutions would increase the chances of success.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The potential options for Churchgate are set out in full in section 8 of the report.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The content of this report has been discussed with the Leader of the Council and the Executive Member for Finance and IT.

5.2 Further to the Full Council resolution on 22 November 2018 that the Council "will…as far as possible fully engage with the Hitchin community groups including those represented by Resurgence PB in future design and development" officers have exchanged correspondence with the Resurgence Group in order to better understand the financial assumptions made in the proposals they presented to Councillors. This is covered in more detail in section 8 of this report.

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

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

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

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

7.4 A fuller history of the project can be found in previous reports to NHDC Full Council on 31 January 2013, 18 July 2013 and 11 February 2016, all of which included consideration of the range of potential options available at the time of writing the report (links below):-

https://democracy.north-herts.gov.uk/CeListDocuments.aspx?CommitteeId=136&MeetingId=483&DF=31%2f01%2f2013&Ver=2

https://democracy.north-herts.gov.uk/CeListDocuments.aspx?CommitteeId=136&MeetingId=488&DF=18%2f07%2f2013&Ver=2

https://democracy.north-herts.gov.uk/CeListDocuments.aspx?CommitteeId=136&MeetingId=508&DF=11%2f02%2f2016&Ver=2

7.5 As part of the Full Council's decision in respect of Churchgate on 11 February 2016 it was:-

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

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

7.6 Since an initial approach on 5 April 2016 the Council has been in discussions with Shearer Property Group. The proposals emerging from those discussions were subject to reports to Full Council on 8 February 2018 and 22 November 2018. At the meeting on 22 November Full Council:-

***"RESOLVED:** That Full Council notes that, in light of the risks associated with the proposals, including the reliance on funding from the Local Enterprise Partnership, officers will urgently consider in more detail the alternative options in the event that the current proposals are unable to proceed; such alternative options to be reported to Full Council early 2019 if required."; and*

"RESOLVED:

i. That Full Council continues to support the principle of a regeneration of the Churchgate Centre and Hitchin Market with the Council as funder and owner of the regenerated scheme, noting that the deliverability of the proposals is dependant upon securing funding from the Hertfordshire Local Enterprise Partnership:

ii. That Full Council authorise the Deputy Chief Executive, in consultation with the Chief Finance Officer, the Leader of the Council and Executive Member for Finance and IT, to progress the negotiation of legal agreements with Shearer Property Group for the regeneration of the Churchgate Centre and to progress pre-purchase due diligence, subject to Full Council's final approval of the terms of any proposal.

iii. That Full Council approves the transfer of up to £130k from the Special Reserve to progress the further work required prior to a final decision.

iv. That the Consultation Strategy, which will form part of any development management agreement with a developer, clearly sets out how the community will continue to be engaged with and how they will have opportunities to see and influence the final proposals.

v. *That Full Council welcomes the proposals put forward by Churchgate Resurgence PB and notes that many of the ideas and arguments put forward are common aspirations shared by Hitchin residents and Councillors alike over many years. Recognising the Council's responsibility to progress the proposals for Churchgate in conformance with Local Government rules, it will nevertheless, as far as possible fully engage with the Hitchin community groups including those represented by Resurgence PB in future design and development."*

8. RELEVANT CONSIDERATIONS

<u>Shearer Property Group Proposal and the Local Enterprise Partnership bid</u>

8.1 As Members will be aware the previous reports to Full Council made clear that the proposals put forward by Shearer Property Group (SPG) were dependant upon LEP funding. As with any funding application there was always a risk that the bid would be unsuccessful. The LEP Board met on 13 December 2018 and noted that the LEP Chairs Panel felt that the project did not meet the requirements and demonstrate value for money as per the assessment criteria. Therefore the LEP Board decided to reject the application for the project. The fundamental reason for refusal of the application was that the project failed to deliver sufficient outputs (jobs, houses, skills etc) for the amount of money sought.

8.2 Following the failure of the LEP bid, discussions have taken place with SPG, the conclusion of which was that SPG decided not to extend the option to purchase they held for the Churchgate Centre as they recognised their proposal was no longer deliverable. Whilst SPG are no longer actively pursuing a proposal for Churchgate they remain interested in working with the Council in the future should the opportunity arise. They recognise that if the Council were to seek a development/project manager in the future that would almost certainly be the subject of a procurement process.

<u>Alternative Options for the future of the Churchgate Area</u>

8.3 Set out below are a number of high level ideas for alternative ways forward for the Churchgate Area (ie the shopping centre, Hitchin Market, the public realm and the car parks). The pros and cons listed are also very high level (and not exhaustive) and clearly the detail of any proposal would need to be developed in order to fully assess the opportunities and risks associated with it.

8.4 **<u>Larger Scale Development (ie larger than SPG proposal), to include some or all of the land described in 8.3 above</u>**

Pros
Potentially decent income stream
Economic viability of whole town
Greater residential development couls assist viability through generating capital receipts or increasing revenue income. Eg Town houses would assist funding and add additional value therefore reducing debt expenditure. Retirement living could be option for town centre location (as shown by previous development in town)
Meets historic aspirations of improving wider area
Scope to include a number of different uses (retail, food and beverage, leisure, residential, health etc) if more development
Find a long term resolution for the future of the market
Decreases public realm cost if convert some to parking (to allow development on Biggin Lane)
Better market to bring people in
Improve more of the public realm

Cons
Is it what the public want?
Risk (including project, financial and ongoing viability) escalates the more you spend
Residential – would need to be appropriate for adjacent uses
Indoor market would generate less income than retail space
Traditional anchor stores are declining therefore multiple uses need to be the main attraction which adds to complication (although the benefit is the greater variety
Losing current car parking and adding decking to other car parks in town will add to costs

8.5 **Medium/smaller scale (including cheaper light touch refurbishment) ie on existing footprint or slightly bigger**

Note – the reason these options are included together is there is a sliding scales of amount of work that could be undertaken and the level of impact that investment might have on the income generated. This would need to be carefully considered to find the point (if any) at which there was a return on investment.

Pros	Cons
Possibly easier to find viable scheme if spending much less	Could be left with further decline and with no economic case for investment
Quicker and simpler to deliver	If declines would be in worse situation than we are now
Less commercial risk	Likely to need external funding to deliver
Well let currently despite uncertainty and lack of previous investment	Can't replace with higher paying tenants later without significant investment
Potential to deliver whilst maintaining units for existing retail uses	Fails to deliver on aspirations
Could only undertake if able to purchase at the right price	Potential to cause deterioration in surrounding areas, drain on rest of town
If light touch refurbishment successful could then hold and await better time for further regeneration	Public perception - got to be seen to be doing something
	Historically Hammersmatch have failed to make refurb viable

8.6 **Planning Policy Approach – be led by longer term vision**

Pros	Cons
Work with landowners/community groups	Previous experience – the planning policy work of the mid 2000s was a product of its time and was unsuccessful in delivering a solution
Better, more integrated benefits	Additional timescales
Develop a larger area of Hitchin	Wider area – could complicate
Town Hall would be an anchor at one end of town and regeneration would be able to pull people through whole town, using this area as another potential anchor	Losing control if Council is not delivering the eventual scheme
Take a more considered approach in preparing a concept framework/ revised town centre strategy for the town centre as proposed in the Inspector's proposed main modifications to the submission Local Plan and really think about what is	Still needs to be able to be financially viable and deliverable rather than aspirational

required (rather than be driven by developer timescales to make profit)	
	Difficult to predict future
	Cost implications to use consultants to put together plan
	Large scale plan will only work if take planning option
	Public resistance to wider scheme historically

8.7 **<u>Do Nothing</u>**

Pros	**Cons**
No cost	Someone else could buy with aspirations to develop more widely which places the Council in the position it has been in previously, where the opportunity to develop on Council land had to be offered via a procurement process
Could seek to require Hammersmatch to undertake works in accordance with lease obligations	Public perception – could seen to be washing hands of it and doing nothing
Wait to see how economy reacts to national events eg Brexit, any recession, shopping trends, tenant demand	If someone else buys Churchgate Centre likely no viable scheme without Council involvement (therefore do nothing may not be an option)
Hammersmatch retain risk of ownership – could sell to Council at some point	Can't afford to re-gear lease. Moving from current arrangement to standard 10% gearing in lease would cost Council approximately £100k per year
Undertake planning policy work (ie town centre strategy) required as follow up to Local Plan	Wouldn't address need for investment in Hitchin Market
If cannot purchase Churchgate Centre then 'do nothing' may by default be the option in the short term	

8.8 **Sell Whole Site (ie all the Council freehold land in the area, including car parks)**

Pros
Capital receipt
No longer Council's problem to solve
Reinvest capital to get income stream back
Car parking issue – could put as condition of sale to provide X spaces
New leases – share in ongoing profit, if sold as LH and retained FH
Sell part as a smaller scheme (could help fund some regeneration)
Requires minimal input from the Council
May facilitate regeneration

Cons
Developer likely to go with big scheme
No opportunity to create revenue in the long term from this site if sell freehold
Lose current revenue streams, which may not be matched by reinvesting capital
Lack of control, other than through Local Planning Authority function
Loss of parking spaces (if sell wider land)
May not be much interest, given struggles of the development industry
Option to purchase potentially more likely than cash sale
Could be politically difficult

8.9 **Change Strategy Completely (ie move away from retail led mixed use scheme)**

Pros
Put in residential – better return
Satisfy other needs of community
Other activities become the focus eg leisure /doctors surgeries
Sell on to developer to deliver

Cons
Leisure uses typically pay less rent than retail uses
Second guessing future as to what attractions will be
Potential viability issues
If sell to developer – must comply with local plan
Potentially wouldn't meet requirements of Local Plan and there are wider ramifications if undermine that in terms of impacting on the vitality and viability of the town centre.

8.10 **Buying leasehold interest in Churchgate Centre (can be combined with any of the above)**

Pros
Gives control over site for future options
Gives time to consider right approach (not being forced by option deadline)
Can justify buying for current income stream, provided it is at the right price
A number of Councils are taking this approach in order to lead regeneration of their town centres
New income stream for the Council

Cons
Would need a plan eventually
Pressure from public and tenants to do something increases once have in ownership (including initial investment in minor improvements/repairs if holding in short term)
Greene King covenant would still need to be dealt with unless proposals meant it was not relevant (eg residential or non-alcohol retail uses)
Economic market (tenant demand, possible recession, Brexit uncertainty)
Would need agents to manage the lettings (but should be reclaimable through the service charge)

Churchgate Resurgence PB Group ideas

8.11 At the meetings of Hitchin Committee on 13 November, Cabinet on 20 November and Full Council on 22 November 2018 presentations were made by the Churchgate Resurgence PB Group on their initial concept ideas for a community/socially led regeneration of the Churchgate Centre and adjacent area. As previously explained to Members, the logic underlying many of the proposals in terms of finding an attractive mix of uses and a food led revival of the Market accord with the thinking of the Council and its advisors (indeed the Altrincham Market example is one the Council has been looking at for some time). The level of flexible letting space proposed would be a challenge, as it would prevent pre-letting and therefore increase the risk of development. It would also not be suitable for many of the potential tenants targeted by SPG who are keen to locate in Hitchin. The Group also provided a very high level financial appraisal to Members at Full Council. Subsequent to that meeting Council officers have sought clarifications to better understand the assumptions underlying the financial figures the Resurgence Group had put forward to Members. Examples of the twelve clarifications sought include:-

- Whether the cost of demolition had been allowed for
- Whether interest payments had been allowed for
- The basis for the £400k contribution from s.106 funds for parking
- What percentage of affordable housing was allowed for
- Whether income figures included costs for taxation, voids, business rates, lettings agents fees
- What costs were included in the borrowing costs

8.12 To be clear, given that the Resurgence Group have put forward a series of ideas/concepts (and not a fully costed scheme) it was not expected that detailed financial breakdowns had been (or could be) supplied. However officers were seeking to understand the assumptions used to calculate the figures provided to Members in November in order to establish whether there was a reasonable basis for believing the ideas could be deliverable. For example the notes that accompanied the figures in November made clear that they excluded the cost of purchase of the shopping centre and that this should be treated separately and paid for out of other funds. Given the Council's financial position this is not possible and all costs for a proposal will need to be included in viability assessments. This is why it is important to understand whether there are any similar misconceptions in the figures supplied by the Resurgence Group in November.

8.13 The response of the Resurgence Group was that they were unable to supply the requested information at this time as they considered they were only at a conceptual stage and that detailed information such as that outlined above would only come at a later stage where outline proposals were identified. The Group also updated that they had been in contact with Bim Afolami MP regarding the Future High Streets Fund (see below). If there is any further information supplied by the Resurgence Group this will be provided by way of verbal update at the meeting.

<u>Future High Streets Fund</u>

8.14 Members will be aware that at paragraph 8.10 of the report to Full Council on 22 November 2018 officers referenced the Future High Streets Fund that had been announced as part of the Autumn Budget. The report made clear that officers would continue to monitor announcements for the detail of the scheme to understand whether Churchgate would meet the eligibility criteria. On 26 December 2018 the prospectus and application form were published (see appendices B and C respectively).

8.15 There are a number of points to note from the prospectus and application form. However the following are considered most pertinent:-

- Applications must be from the local authority
- The town centre area subject of the bid must be “facing significant challenges”
- There needs to be a clear vision
- Bids need to have the support of a number of stakeholders (including the LEP)
- The expectation is that authorities will only bid for one high street or town centre in their area

8.16 On 21 January 2019 the Minister responsible for the Fund attended a meeting in Hitchin. The Minister highlighted that the Fund had two stages, with the first one being deliberately light touch. Successful applicants at the first stage would be awarded revenue funding to develop their proposals further, and then potentially make a bid to the second phase. The second phase would be for capital funding, with a requirement that this is at least match funded by the Local Authority. The meeting included a tour of the Churchgate Centre and the surrounding area. The Minister said that he could see how a bid could be successful. He also confirmed that the criteria for assessment were still to be fully determined, and were unlikely to be available before the submission deadline. These criteria would be a balance between return on investment (which would generally favour areas that are already more prosperous e.g. Hitchin) and achieving wider social regeneration. It was made clear how important the support of all interested parties (especially the County Council, LEP and Business Improvement District) would be. Whilst the meeting with the Minister seemed positive, it will be a competitive process and it was stated that the application form has already been downloaded over 1,000 times.

8.17 Following on from the meeting with the Minister, Bim Afolami MP led a discussion around next steps. The meeting included representatives from the District Council, the County Council, the LEP, Hitchin BID, Hitchin Initiative and the local community (through the Resurgence Group). All of those present were supportive of putting in a first stage bid, which would focus on the high level drivers for regeneration. Subject to all parties being able to agree to the contents of a final bid, this would meet the requirement for getting stakeholder support. It will still be difficult to make a case for Hitchin “facing significant challenges” and there remains the issue that the Churchgate Centre is not within the control of the Council which affects deliverability of any proposal.

8.18 As a District Council can only make a single bid the Council will need to carefully consider potential alternative bids from other parts of the District. Officers have recently been approached in relation to a potential bid that has multi-stakeholder support for a different town in the district. Therefore the selection of which proposal to submit will need to be made in consultation with key stakeholders (ie the County Council and the LEP) and will need to prioritise the proposal that is considered to best meet the criteria set out in the application form and prospectus. The Minister indicated there could be multiple bidding rounds so there could be further opportunities depending on the rules put in place.

Conclusions and Potential Way Forward

8.19 Past experience of the various attempts to regenerate the Churchgate Centre have shown three things:-

1. That the Churchgate Centre is critical to any plans and that having control over it would significantly increase the likely chance of success of any proposal; and

2. Although the primary reason for investment would be regeneration, due to the Council's financial position any significant capital investment would almost certainly have to be funded through borrowing and any proposals would have to meet the cost of borrowing, replace existing income from the site and generate sufficient additional income to make an investment viable taking into account investment risk; and

3. The more prescriptive the Council has been as to its aspirations for the Churchgate area, the harder it has been to find a solution that met those aspirations.

8.20 As set out in paragraph 7.5 above the first point was recognised by Full Council at its meeting on 11 February 2016 when it decided that the possibility of acquiring the Churchgate Centre be explored, subject to the commercial case for doing so. The recommendation to Full Council at paragraph 2.2 re-iterates the previous decision, that the Council would be interested in purchasing the leasehold interest provided it was at the right price (ie one that can be justified on a prudent investment basis and was at a level that would allow future regeneration). Recommendation 2.3 reflects the difficult financial position of the Council and the second point above, in that any investment would not only be for the social benefit of improving the area but would also need to generate a financial return to the Council to cover investment costs, replace existing income and generate additional income to support the delivery of Council services generally.

8.21 The recommendation at 2.4 reflects the third point above and recommends that rather than specify which of the alternative options set out from paragraph 8.3 onwards is preferred, Council instead allows flexibility for officers to continue to consider a range of potential solutions in order to explore what might be possible and what might be financially viable. It is proposed that officers undertake this work initially before then holding an all member workshop to further explore the ideas. Ultimately it would be for Full Council to decide on the acceptability of any such solutions in due course. Members will note that no timescale has been included in recommendation 2.4, as the timing of this work will depend on the outcome of recommendation 2.2 should Full Council approve it. In the meantime Hitchin Market remains under the management of Hitchin Markets Limited and that contractual arrangement remains in place.

Budget

8.22 As set out in paragraph 7.6 above, Full Council at the 22 November 2018 meeting allocated a budget of up to £130k to progress the previous proposals for Churchgate. It is proposed that this budget now be used in order to undertake the work that would follow if Full Council agrees to the recommendations at paragraphs 2.2 and 2.4. Such work could include building structural surveys, legal costs (if external legal advice required), financial and taxation advice, and development consultant support.

9. LEGAL IMPLICATIONS

9.1 Full Council's terms of reference include at 4.4.1(v) "to authorise the acquisition of land or buildings where the purchase price, premium or initial annual rent (after the expiry of any rent free period) exceeds £2,500,000" and at 4.4.1(b) "approving or adopting the budget", which includes the capital programme. Cabinet's terms of reference include at 5.6.20 "to approve the purchase or appropriation of land and buildings where the sale price, premium or initial annual rent (after the expiry of any rent free period) exceeds £250,000 and does not exceed £2,500,000."

9.2 The responsibility for the decision on the arrangements for the management of Hitchin Market lies with Cabinet. On 27 March 2018 Cabinet made the decision to delegate to the Deputy Chief Executive, in consultation with the Head of Leisure and Environmental Services, the Executive Member for Finance and IT and the Executive Member for Leisure, authority to agree an extension with Hitchin Markets Ltd to manage the market contract in the short term. The market contract has been extended following Cabinet approval in March 2018 on terms that would facilitate refurbishment.

9.3 Specific legal implications of proposals would be considered as they are developed and would include (but are not limited to) procurement, contract, property, planning and licensing issues.

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

10. FINANCIAL IMPLICATIONS

Current Situation

10.1 The Council currently owns the freehold of the Churchgate Shopping Centre and receives a rent that is linked to the rental income achieved by the leaseholder (Hammersmatch). Rent reviews are every 14 years (next one is due in 2024) and are upwards only. The amount received is about 1/3rd of the income being generated at the review date. The current income being received is £140k per year.

10.2 The market is currently run under a management agreement by Hitchin Markets Limited (HML). The Council receives an income of £28k per year.

Costs to date

10.3 Since the Council report in February 2018, the Council has incurred costs in relation to:

- A valuation of the leasehold of the Churchgate Shopping Centre to determine what price could be justified for the purchase of the shopping centre. Cost of £15k.
- Advice from BNP Paribas for development consultancy support, including understanding the viability of proposals. Costs paid to date of £28k.
- Financial, tax and legal advice from Grant Thornton in respect of this project and also in relation to forming a property company. Total cost of £26k.
- Legal procurement advice in relation to appointing SPG as a development manager. Cost of just over £1k.

10.4 The above costs have been met from existing revenue budgets including:

- Funding of £53k previously allocated by Full Council for investigating alternative proposals for the Churchgate Centre that has been carried forward from previous years.
- Funding of £94k for investigating commercial opportunities.

10.5 At the meeting of Full Council on 22 November Council approved a transfer of up to £130k from the Special Reserve to cover pre-purchase costs. The reserve was set up for a variety of purposes that included the up-front costs of large investment projects. As per resolution 2.5, it is proposed that this budget be used to explore the possible options for the site. The Council will continue to seek alternative funding sources that will contribute towards these costs.

11. RISK IMPLICATIONS

11.1 The cons of each of the options in section 8 highlights the risks involved. Any capital expenditure in relation to Churchgate (including purchase of the leasehold through to redevelopment) will involve risk. This will expose the Council to the retail market, which is experiencing significant difficulties and change. Where relevant, as options develop then either specific risk logs or a general risk log will be developed.

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

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

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

13.3 The Council would ensure that Social Value is built in to the procurement processes for any project and encourage the use of local suppliers and trades wherever possible. The Council was able to achieve Social Value outcomes from a recent construction contract on its office building (e.g. building projects with local schools and sponsoring a charitable event). The Council plans to build similar ideas in to this construction contract.

14. HUMAN RESOURCE IMPLICATIONS

14.1 The current work undertaken to this point has been met from existing resources, with additional external development consultancy expertise sought to support internal skills and knowledge. An internal team of officers including financial, legal, planning and technical expertise has been supporting the Deputy Chief Executive. The ongoing resourcing requirements will depend on the alternative options pursued and the timing of them. Work to date has been factored into service plans for 2018/19 and will be included in 2019/20 where appropriate.

15. APPENDICES

15.1 Appendix A – Plan of Hitchin Town Centre [extracted from previous BNP Paribas report]

15.2 Appendix B – Future High Streets Fund Prospectus

15.3 Appendix C – Future High Streets Fund application form

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16.8 Kerry Shorrocks, Corporate Human Resources Manager
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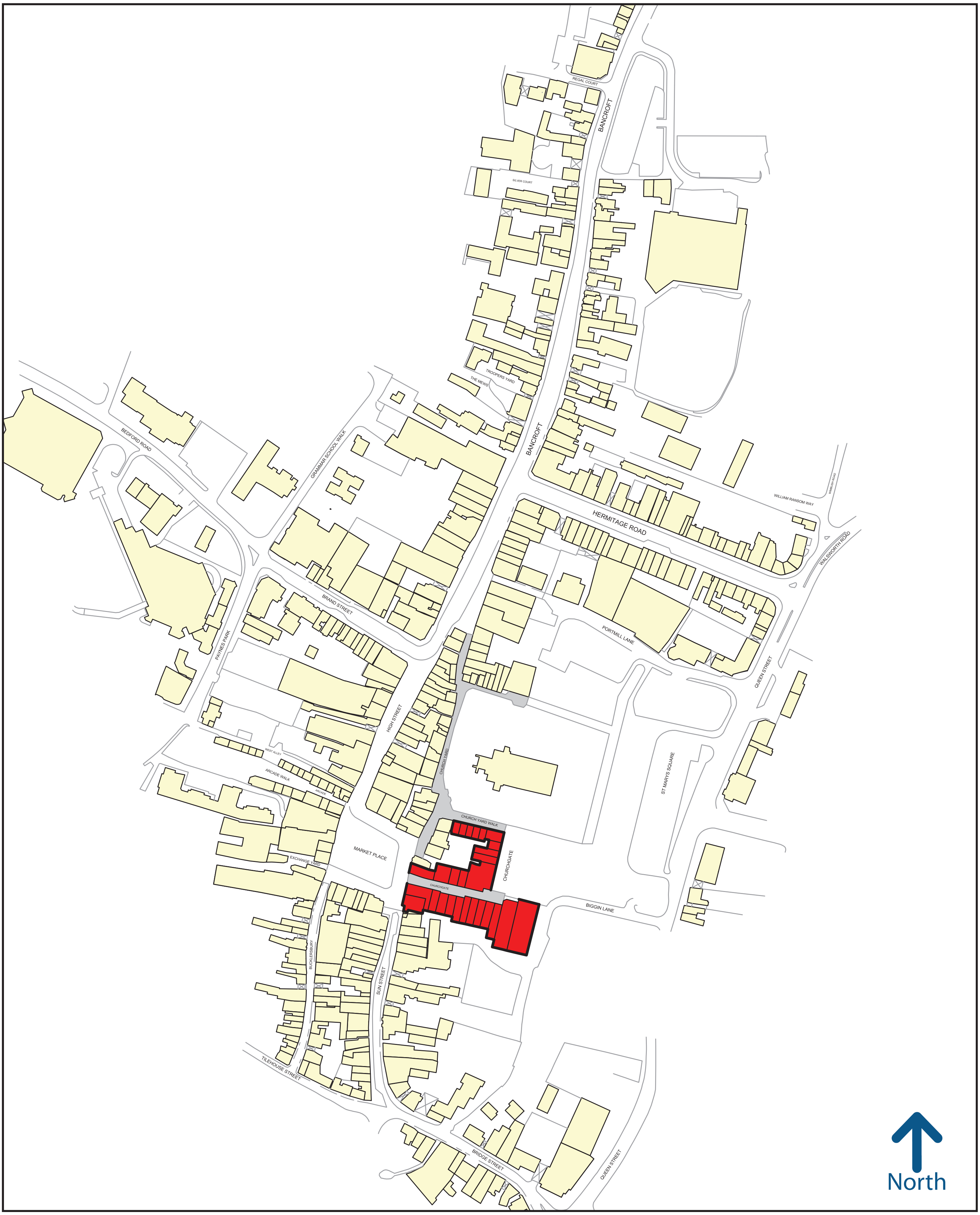
17. BACKGROUND PAPERS

17.1 Reports on previous Churchgate proposals to Full Council dated 31 January 2013, 11 February 2016, 8 February 2018, 22 November 2018

17.2 Draft Local Plan

Hitchin



125 metres

Experian Goad Plan Created: 22/01/2018
Created By: Strutt and Parker

For more information on our products and services:
www.experian.co.uk/goad | goad.sales@uk.experian.com | 0845 601 6011

Mapping sourced from Ordnance Survey

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Ministry of Housing,
Communities &
Local Government

Future High Streets Fund

Call for proposals

December 2018
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
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Contents

Foreword

For centuries, our high streets have been where commerce and community meet. They have been the hubs of enterprise, where small businesses grow and local jobs are created, and they are the barometers of our prosperity and the heartbeats of the places we call home.

Today, as consumer patterns change and spending increasingly moves online, our expectations of high streets are changing too. A renewed emphasis on 'experience' brings convenience, valuable services and a powerful sense of the community to the fore – that intrinsic desire for something that cannot be replicated online. Where this has been achieved successfully, it can transform a community. It's something we've seen showcased brilliantly at our Great British High Street Awards.

This government is committed to helping more high streets adapt and meet these changing expectations; not just to survive, but to thrive. This is why we launched Our Plan for the High Street in autumn with a fund of £675m. Our Plan for the High Street includes a cut in business rates by up to a third for a wide range of retail properties for two years, a consultation on planning reform to make it simpler to create more homes, jobs and choice in our town centres, and the creation of a High Streets Task Force.

The Future High Streets Fund is an essential part of Our Plan for the High Street, providing co-funding towards capital projects that bring transformative change. We want to see the regeneration of our town centres through innovative proposals around transport, housing delivery and our public services.

Because no two high streets are the same, we are looking to work with visionary local leaders who understand what their local communities will need in the years to come. I'm looking forward to reading your Expressions of Interest and seeing your positive visions for our future high streets – places that can flourish for years to come.

The Rt Hon James Brokenshire MP, Secretary of State for Housing, Communities and Local Government

Jake Berry MP, Minister for the Northern Powerhouse and Local Growth

Introduction

High streets and town centres lie at the heart of our communities and local economies, creating jobs, nurturing small businesses and injecting billions of pounds into our economy. But the way we shop and the way that communities use their high streets and town centres is changing: we are shopping more online, making fewer big shopping trips and shopping ‘little and more often’. This changes the nature of what makes a high street successful.

The government is committed to helping local high streets evolve and adapt to these changes. We want to see thriving places created where the community feels engaged, and vibrant town centres where people live, shop, use services, and spend their leisure time.

At the Budget, we set out Our Plan for the High Street, including:

- cutting business rates by a third for up to 90% of retail properties for two years, to provide upfront support for high streets;
- supporting the transformation of the high street, by creating a £675 million Future High Streets Fund to help local areas make their high streets and town centres fit for the future;
- consulting on planning reform to make it simpler to create more homes, jobs and choice in town centres, and trialling a register of empty shops;
- setting up a High Streets Task Force which will support local leadership with expert advice on helping local high streets to adapt and thrive; and
- strengthening community assets, including the restoration of the historic buildings that make our high streets special, supporting community groups to use empty properties and providing business rates relief for public toilets and local newspapers.

The Future High Streets Fund forms a central part of this Plan. It will support places by co-funding transformative, structural changes to overcome challenges in their area. And it will support wider economic growth within local areas, delivering investment and growth across regions in England to deliver our modern Industrial Strategy.

This document sets out how the Fund will operate as a two-round fund with two stages to the application process. This first stage of the application process, Phase 1, calls for places to come forward with Expressions of Interest by 22 March 2019 setting out their challenges and strategic approach to regenerating town centres. We will assess these Expressions of Interest against criteria set out within this document and make an announcement on which places will move forward to Phase 2, development of full business cases.

During this second phase, shortlisted places will receive some revenue funding to support the development of their high street strategies which shall include specific project plans and associated business cases setting out how they shall regenerate these places. These business cases will be assessed in accordance with departmental and HM Treasury Green Book appraisal methodologies and criteria to be published in due course.

£55m of the Fund has been allocated to the Department for Digital, Culture, Media and Sport to support the regeneration of heritage high streets. This has two elements: helping to restore historic high street properties through Historic England, and equipping communities with their own resources to put historic buildings back into economic use – for example as residential buildings, new work spaces or cultural venues, supported by the Architectural Heritage Fund. Further detail will be announced in due course.

Background: structural changes on high streets

Change on high streets is not a new phenomenon. Shop numbers have been steadily declining since at least the 1920s and over many years the ways in which people interact with their high streets and town centres have constantly evolved. Technological advances, new products, competition and changing consumer preferences have seen many high street retailers and industries rise to prominence or disappear. The rise in out-of-town shopping, for example, had a significant impact on the way that people engaged with high streets, in the same way that rising car ownership has transformed town centres.[1]

In the past, high streets have shown themselves to be resilient to change, constantly needing to adapt to meet changing demands. They have continued to play a key role at the heart of many communities.

However, the speed of these changes has increased dramatically in recent decades. The unprecedented growth of online shopping in particular has had a big effect on high streets. Between 2007 and 2018 online sales increased six-fold while the growth of in-store sales lagged behind. In 2000 online retailing accounted for less than 1% of total retail sales while in October 2018 almost a fifth of all retail sales took place online.[2]

Technological advances, including the fast growth in personal computer use, smartphone use and improvements to broadband have facilitated this rapid rise in online retailing. We are starting to see online retailing replacing traditional "bricks-and-mortar" retailing seen on the high street as retailers are often able to offer competitive prices, more choice and greater convenience by moving their business online.

This has left a number of vacant or under-used spaces in town centres, with a proportion of the existing stock of retail stores on high streets becoming under-used. There is currently a mismatch between the supply of existing space and the demand for different types of space in town centres.[3]

The speed of this change has meant that high streets and local areas have not had sufficient time to adapt to meet these challenges. While there are examples of successful regeneration of town centres, many places across the country are struggling to transform in response to these structural changes.

Evidence shows that high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes and are adapting more successfully. In contrast, high streets that rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.[4,5]

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[1] Centre for Retail Research (2013), Retail Futures 2018: Shop Numbers, Online and The High Street
[2] Office for National Statistics (2018), Retail Sales, Great Britain: October 2018
[3] British Property Federation (2016), Town Centre Investment Zones: Getting Investment Back Into the High Street
[4] Public Health England (2018), Healthy High Streets
[5] British Property Federation (2016), Town Centre Investment Zones: Getting investment back into the high street

People want local high streets to provide convenience, a sense of community and to add value through services not offered online. High streets can and should continue to play an important role in the life of communities – they are the locus for some of the highest levels of social interaction in places and can be important drivers of growth in local economies.[6]

Experience has shown that local areas need support, investment and guidance to help them meet these structural changes. To date many places have not been able to keep up with the speed of change to the detriment of town centres. We know that a scattergun approach of light touch interventions is not the solution for town centres facing large structural issues. Instead effective strategic thinking and masterplanning is needed, with local areas able to work across public and private sector organisations including local businesses, driven by strong local leadership.

[6] Parker, C., N. Ntounis, S. Quinn and S. Millington (2017), Identifying factors that influence vitality and viability

Scope of the fund

Objectives

Given the above challenges, the objective of the Fund is to **renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability**.

In this first phase of the programme we want local authorities to define the specific challenges faced by their high streets, to set out their overarching strategic ambition for what the high street or town centre should become and what needs to be done to make this possible.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

How the Fund will work

- There will be two rounds of the Fund, both with a two-phase application process
- Phase 1 of application process: this is an Expression of Interest stage where we will assess places on the need for funding, nature of the challenge and the vision for the future of the town centre
- Phase 2 of application process: for those who pass to Phase 2, there will be an amount of revenue funding available to work up project proposals. Funding decisions will be based on project plans and business cases
- In the first round of the Fund, projects which are 'shovel ready' may be fast-tracked for funding
- We will make an announcement on the second round of the Fund in due course

There will be two rounds of the Future High Streets Fund; we will therefore open applications to the Fund twice. The first-round application phase will open with the publication of this prospectus and aims to co-fund projects and places that have already started to formulate a vision for the future of their town centres. We will confirm the date of the second round and publish assessment criteria in due course, but it will not open before 2020.

The Fund will operate via a full competition over two phases, with the first acting as a light-touch process in order to reduce the burden on places and minimise wasted resource. This prospectus acts as the launch of Phase 1 and invites places to come forward with Expressions of Interest setting out their challenges and strategic approach.

As the first phase concerns identifying places to work with, we will not have regard to specific schemes included in submitted proposals when assessing bids.

We will assess these Expressions of Interest against criteria set out within this document and the application form. We expect to be able to make an announcement in summer 2019 on which places will move forward to Phase 2, where they will develop full business cases.

During Phase 2 shortlisted places will receive some revenue funding from government to support the development of their high street strategies and the business cases for their proposed projects. The High Streets Task Force, once established, will provide support to places in developing their cases. Places will also receive some support from within the Ministry of Housing, Communities and Local Government.

We expect the full business case development phase to take 6 to 12 months, with some places taking less time and receiving decisions on capital funding at an earlier stage. At the end of each places' business case development phase we expect them to submit specific project plans and associated business cases which will be assessed against departmental and HM Treasury Green Book appraisal methodologies. We will then make decisions on which places will receive capital funding and any further revenue funding as well as the level of this funding.

- December 2018: Phase 1 opens and Expressions of Interest invited
- 22 March 2019: deadline for Expressions of Interest
- Summer 2019: announcement on places moving to Phase 2
- Late 2019: first round of final business cases to be submitted
- Spring 2020: all remaining final business cases to be submitted
- Not before 2020: Second round of applications opens

Funding decisions

Phase 1

Places shortlisted to move forward to Phase 2 will be granted some revenue funding in 2019/20 to support the development of their project plans and associated business cases.

We expect places to give in their Expressions of Interest an indication of the level of revenue funding they would need to deliver this; however, places are not guaranteed the full amount they propose as the amount of revenue funding is limited.

Phase 2

There is no guarantee of further investment funding to shortlisted places if the proposals put forward at the end of Phase 2 are not sufficiently developed or fail to demonstrate adequate value for money or deliverability. From the outset, places should consider how schemes could be flexed to reflect the options available and consider the best intervention to make a significant and transformative difference within their areas.

Final decisions on the amount of capital funding (and any further revenue funding needed to support the delivery of this) for a shortlisted place will be made considering the quality of the proposals put forward at the end of Phase 2. When we make individual capital funding awards following the submission of business cases, we will announce the full funding amount for the scheme. We will also give an annual profile, which will need to be spent in the year allocated.

Given the scale of investment proposed, any bids taken through to Phase 2 and shortlisted for capital funding will need to produce fully worked up business cases. **We expect projects to be co-funded** by public and private sector additions and this will be taken into consideration as part of the assessment of projects. We will expect an element of co-funding, either on a project basis or to delivery a local area's wider strategy for the high street. This co-funding could either be public (e.g. from local areas' own budgets) or private finance (e.g. co-financing housing infrastructure).

The Fund will contribute up to a **maximum of £25 million** to each successful place. However, we expect to see a range of project sizes coming forward, many of which are in the region of £5-10 million per town centre. As such we do not expect to allocate that full amount to each area. When making funding decisions, we will consider the funding available in each financial year.

The size of agreed funding packages, once approved, will be fixed. Should cost increases occur the Department will not provide additional funding, and this will need to be accounted for within local budgets or from private investment.

Eligibility

Eligible places

Given their control over the strategic levers that will be necessary to bring forward the types of projects that will meet the objectives of the Fund, we recognise that local authorities are best-placed to bid for the funding and develop and deliver proposals.

We therefore invite bids from unitary authorities, metropolitan districts, London boroughs and, where there is a two-tier system, from district councils, in England.

We will not accept bids covering town centre areas that are not facing significant challenges. We expect places to come forward with proposals that cover high streets or town centres as defined as areas that exhibit high levels of social and economic activity, that contain a variety of uses and functions and that act as important service centres for extensive catchment populations.

Small parades of shops of purely neighbourhood significance are not regarded as high streets or town centres for purposes of this fund. Additionally, the Fund is not directed at central business districts of major city centres. Proposals that cover entire city regions, rather than a single high street or town centre, will not be eligible for funding.

Local and stakeholder support

While we feel local authorities are best-placed to bid for funding, projects will likely be stronger and more successful if they tie into a broader economic market. We would like to see places link to the delivery of emerging Local Industrial Strategies and any wider strategic vision for the area at various levels.

We therefore would expect to see Expressions of Interest come forward with proof of engagement with, and support from, a number of stakeholders including the following (where applicable):

- Mayoral and non-Mayoral Combined Authorities
- Local Enterprise Partnerships
- Other tiers of local government in the area
- Business Improvement Districts
- Private sector
- Community groups

Type and size of projects

We expect bidding local authorities to put forward a single, transformative submission covering one high street or town centre in their area. This may comprise of more than one intervention, but that will need to be subject to a strong business case. For example, a local authority may wish to consolidate its town centre offer across a number of high streets to provide additional residential or commercial space. In that case we would consider applications which saw interventions across the network of high streets assuming there was a sufficiently robust strategic business case.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including making improvements to the public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

Funding will not be provided for surface-level projects that only make a difference to the appearance, rather than the use, of the area or those that would not have a long-term impact.

Assessment process

The competition will take place over two phases.

Phase 1 is this light-touch process calling for Expressions of Interest by 22 March 2019. We will assess the definitions of places and need in these Expressions of Interest as well as the level of strategic ambition before making a decision on places we will take forward.

During Phase 2 we will provide some support to these shortlisted places to develop their strategic vision and full business cases which will be assessed in accordance with the HM Treasury Green Book, MHCLG appraisal guidance and other departmental guidance where necessary. Places successful in moving to Phase 2 will receive capacity funding to support this. Based on the strength and merits of the final business cases, we will make a decision on which projects will receive capital funding and any further revenue funding.

Phase 1: shortlisting places

Places need to complete the application form in the annex. This is based around three themes against which places will be selected:

1. **Defining the place**
    a. The geography of the high street/town centre
    b. The centre's catchment and link to wider economic areas
2. **Setting out the challenges**
    a. Clear description of the issues and challenges facing this area
    b. Why central government funding is needed to meet these challenges
    c. Evidence to support this
3. **Strategic ambition**
    a. Set out a high-level vision for improving their area and how this links with need expressed in Section 2
    b. Cover how investment from government will support the area and help overcome these challenges
    c. Demonstrate engagement with and support from local stakeholders including other tiers of local government, if applicable, and the private sector
    d. Demonstrate how this ambition will align with other funding streams (public or private)
    e. Show how this will link to wider strategic plans e.g. around housing and local growth
    f. Detail of capacity arrangements to ensure robust governance and delivery

Applications will be sifted on the basis of the responses to these key themes. We will publish further guidance on the scoring criteria and weighting for Expressions of Interest before the end of January 2019.

We will decide on the relative merits of each bid and shortlist places for the next phase of the competition.

We are not asking for specific scheme proposals at this stage, as we will make a decision on which places to take forward based on the challenges and ambition set out in the application form.

However, if as part of their strategic vision places would like to identify specific schemes they feel are “shovel-ready” and would be in a position to receive capital funding in the near future, we invite them to make this clear here and provide further supporting evidence if available. If this place moves forward to Phase 2 we would examine the proposed projects at an early stage of co-development.

The use of qualitative and quantitative evidence from government bodies and well-respected independent sources is encouraged. The suitability and validity of this will be scrutinised as part of the bid.

Where the Fund is oversubscribed we will take into account factors such as the available profile of the Fund, ensuring a geographical spread of impact, and wider economic considerations. The Secretary of State for the Ministry of Housing, Communities and Local Government will make the final decision on funding.

Phase 2: Business case development

Shortlisted places will be invited to develop their strategic vision and business cases for specific projects. They will receive capacity funding at this stage to be spent on revenue needs and will be expected to seek additional private and local investment. They will also receive some support from the Department.

Local authorities will then be asked to submit their final full business cases for specific projects. These business cases will then be assessed according to appraisal methodologies across the five cases as outlined in the HM Treasury Green Book, MHCLG guidance and other departmental guidance as necessary.

More detail on appraisal and assessment at Phase 2 will be announced in early 2019.

We expect to undertake business case development to allow those ready to move quickly to do so and avoid moving at the pace of the slowest. The Ministry will then take a final funding decision for each place who will then deliver the projects funded.

It is expected that evaluation processes will be developed in tandem with the development of business cases. All funded places will be expected to complete an evaluation of interventions after the completion of the Fund proportionate to the level of investment agreed.

Successful bids will be announced on a rolling basis.

Application process

Application form

Places will be expected to apply via the application form attached as an annex to this document.

Applications to the Fund will be assessed against the criteria set out in the annex. Further information on the scoring criteria and their weighting will be published by the department before the end of January 2019.

A panel will moderate the final score of each bid to ensure consistency. The places taken forward to Phase 2 will be agreed by the Secretary of State after the proposals have been fully scrutinised.

All applicants should evaluate whether their project will comply with the rules on State Aid under European Union law.

Submission of bids

All bids should be submitted electronically to highstreetsfund@communities.gov.uk no later than 2359 on Friday 22 March 2019.

We may wish to discuss the content of bids with local authorities to seek clarity on any aspects following the deadline.

When authorities submit a bid for funding, as part of the Government's commitment to greater openness in the public sector under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, they must also publish a version excluding any commercially sensitive information on their own website within two working days of submitting the final bid to the Ministry. The Ministry reserves the right to deem the business case as non-compliant if this is not adhered to.

As well as increasing transparency, publishing bids will also help create a network of places engaged in the process and support those places looking to bid for the second round of funding.

Enquiries

Enquiries about the Fund may be directed to highstreetsfund@communities.gov.uk.

Transparency and privacy

Local authorities will be expected to spend funds in an open and transparent way. We would expect plans relating to the projects to be publicly available. In addition, we will expect details of the projects and progress to be made available to local authorities and MHCLG over the duration of the project including taking part in monitoring and evaluation.

Any personal data provided through the application will be processed in line with data protection legislation. The following is to explain your rights and give you the information you are entitled to under the Data Protection Act 2018.
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at

dataprotection@communities.gov.uk. Data protection legislation sets out when we are lawfully allowed to process your data. The lawful basis that applies to this processing is 6(1)(e) of the GDPR: the processing of personal data is necessary for the performance of a task carried out in the public interest or in the exercise of official authority.

Your personal data is being collected to identify places to receive support from the Future High Streets Fund. We are processing your data as part of Phase 1 of the application phase deciding which places will move forward to Phase 2. We may also use it to contact you about further opportunities to apply for this project if we expand the Fund in future.

We may share the information with external assessors as we assess the applications. Your personal data will only be shared with the assessor for that purpose and will only be retained by them for the duration of the assessment process. Your personal data will be held for the duration of the Fund, including monitoring and evaluation.

The data we are collecting is your personal data, and you have rights that affect what happens to it. You have the right to:

- know that we are using your personal data
- see what data we have about you
- ask to have your data corrected, and to ask how we check the information we hold is accurate
- ask to have your data deleted
- complain to the ICO (see below)

In some circumstances you may also have the right to have all data about you deleted, or to object to particularly types of use of your data. We will tell you when these rights apply. Your personal data will not be sent overseas.

We will not use your data for any automated decision making. Your personal data will be stored in a secure government IT system.

When we ask you for information, we will keep to the law, including the Data Protection Act 2018 and General Data Protection Regulation.

If you are unhappy with the way the department has acted, you can make a complaint.
If you are not happy with how we are using your personal data, you should first contact dataprotection@communities.gov.uk.

If you are still not happy, or for independent advice about data protection, privacy and data sharing, you can contact:
The Information Commissioner's Office:
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Telephone: 0303 123 1113 or 01625 545 745
https://ico.org.uk/

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Future High Streets Fund

Ministry of Housing, Communities & Local Government

Call for Expressions of Interest

Application Form

<u>Applicant Information</u>

Bidding authority:

Area within authority covered by bid:

Bid Manager Name and position:

Contact telephone number:

Email address:

Postal address:

Additional evidence, such as letters of support, maps or plans should be included in an annex.

Applications to the Fund will be assessed against the criteria set out below. Further information on the scoring criteria and their weighting will be published by the department before the end of January 2019.

Submission of proposals:

Proposals must be received no later than 2359 on **Friday 22 March 2019**.

An electronic copy only of the bid including any supporting material should be submitted to highstreetsfund@communities.gov.uk.

Enquiries about the Fund may be directed to highstreetsfund@communities.gov.uk.

SECTION 1: Defining the place

This section will seek a definition of the high street or town centre to be covered within the bidding authority. Places should:

- Explain the high street/town centre geography
- Indicate the population of those living and travelling to this centre, how this links to the wider economic area and its role in the lives of those within the catchment area

1.1 Geographical area: *Include information setting out the extent of the high street/town centre area covered in the proposal and a description of this centre.* *Please include maps and supporting evidence as annex documents if required.* *Please limit your response to 500 words.*

1.2 Population and links to wider economic area: *Information on the population living and working in the town centre area, how the area acts as a centre of social and economic activity and its links to the wider economic catchment area.* *With supporting evidence to include:* *Resident and workplace population, travel to work catchment area, town centre footfall, commercial space, retail activity, cultural activities, diversity of uses and social/ historical importance of the centre* *Please limit your response to 750 words.*

SECTION 2: Setting out the challenges

Clear description of the issues and challenges facing this area.

This section will seek a description of the issues and structural challenges facing the high street or town centre area to be covered within the bidding. Places should:

- Describe the key challenges facing the area
- Provide evidence to support this argument (additional sources can be included in annexes). Set out why this place would benefit more from moving forward to co-development than other places within the area

We will not accept bids covering town centre areas that are not facing significant challenges.

2.1: Challenges *We recognise that each place will see different challenges. Supporting evidence on the challenges facing areas could cover the following:* *• Proportion and/or number of vacant properties* *• Openings/closures of commercial units* *• Diversity of uses in the town centre area* *• Resident/customer surveys* *• Pedestrian flows and footfall trends* *• Evidence of congestion and air quality* *• Perception of safety and occurrence of crime* *• State of town centre environmental quality including provision of green spaces* *• Accessibility* *• Housing demands*

2.2: Rationale for selecting town centre area *Set out your rationale for choosing this town centre area as opposed to other centres within your local authority, and why this area is most in need.* *Please limit your response to 500 words.*

SECTION 3: Strategic ambition

This section will seek evidence of the level of ambition from the local authority, support from stakeholders and evidence that the local authority is well-placed to use the Future High Street Fund to tackle these challenges in a way that will fit with wider existing plans. Local authorities should:

- Set out a high-level vision for improving their area and how this links with need expressed in Section 2
- Demonstrate how this ambition will align with other funding streams (public or private)
- Cover how investment from government will support the area and help overcome these challenges
- Demonstrate engagement with and support from local stakeholders including other tiers of local government, if applicable (supporting evidence of this support such as letters should be attached as an annex)
- Show how this will link to wider strategic plans, including the Local Plan and Local Industrial Strategies e.g. around housing and local growth
- Provide an estimate of how much revenue funding they would need to support the development of their strategic vision and business case for a specific proposal

This phase relates to defining places and challenges and we therefore are not asking for specific project proposals at this stage.

However, if a local authority has been working on a specific project that they feel is deliverable in the short term if they were to receive capital funding at an early stage, we invite them to make that clear here. While the details of the project will not be considered in our decision-making at this stage, we may consider fast-tracking these projects during co-development.

We will not accept bids that do not provide sufficient evidence of support from local stakeholders.

3.1 Town centre vision and ambition for change *Set out your vision for regenerating your high street and how this links with the challenges outlined in section 2.* *Please limit your response to 750 words.*

3.2 Engagement and alignment of vision

Set out how your town centre vision aligns with other funding streams, both public and private, including details of partnership working with the private sector in this area.
Show how your vision fits with wider strategic plans such as housing, transport and Local Industrial Strategies.
Please limit your response to 750 words.

3.3 Support for town centre vision

Provide details, including letters of support, for your vision from (where applicable):
- *Other tiers of local government including Mayoral and non-Mayoral Combined Authorities and county councils where applicable*

Other local stakeholders including:
- *Local Enterprise Partnerships*
- *Business Improvement Districts*
- *Private sector*
- *Community groups*

Please limit your response to 500 words and include evidence of this support as an annex where appropriate.

3.4 Estimate of revenue funding needed

Provide details of how much revenue funding you need to develop project plans for capital funding (including detailed business cases).
Include estimated breakdowns of how you would spend this revenue funding
Please limit your response to 500 words.

COUNCIL
7 FEBRUARY 2019

PUBLIC DOCUMENT

REPORT PRESENTED TO CABINET ON 29 JANUARY 2019

TITLE OF REPORT: REVENUE BUDGET 2019/20

REPORT OF : *SERVICE DIRECTOR- RESOURCES*
EXECUTIVE MEMBER : COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To consider the draft budget for 2019/20 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level. To consider the appropriate level of Council Tax that will be recommended to the meeting of the Council on the 7 February 2019.

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 confirms that Council Tax increases for 2019/20 should be in line with the Medium Term Financial Strategy.

2.4 That Cabinet notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.96 million is recommended.

2.5 That Cabinet approves the increase in the 2018/19 working budget of £116k, and to note the expected impact in 2019/20 of a £164k reduction in budget.

2.6 That Cabinet notes and comments on the requests for the carry-forward of budget of £41k from 2018/19 to 2019/20.

2.7 That Cabinet approves the inclusion of the efficiencies and investment proposals at Appendix B in the General Fund budget estimates for 2019/20.

2.8 That Cabinet notes the savings target in future years.

2.9 That Cabinet notes the estimated 2019/20 net expenditure of £15.1 million, as detailed in Appendix A, and recommends this budget to Council.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2019/20.

3.2 To ensure that the Cabinet recommends a balanced budget to Council on 7 February 2019.

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 Business Rate Payers Group will be consulted on the proposals in this report in early February 2019, prior to the Council meeting. This is the only statutory consultation that is required.

5.3 If any savings were to 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 19th December 2018.

7. BACKGROUND

7.1 The Medium Term Financial Strategy (MTFS), which provides the financial background to the Corporate Business Planning process for 2019-2024, was adopted by Full Council on the 6 September 2018 following recommendation by Cabinet.

7.2 The MTFS included a number of assumptions, which have been updated as better information has become available. The final budget still contains 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, the Council 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. This means that the opportunity for savings from being more efficient have now generally all been taken. Instead the focus is now on income generation, service transformation, joint working, making best use of capital assets and justifying delivery of services above statutory levels.

7.5 The Council'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 29 October 2018, the Chancellor made his Budget Statement. The Budget included an update on the current state of public finances and the latest economic forecasts. None of the announcements provided details of specific impacts on the Council's funding.

8.1.2 The Provisional Local Government Finance Settlement was announced on 13 December 2018. The Settlement provided information on funding arrangements for the Council in 2019/20.

8.1.3 The Settlement confirmed that Negative Revenue Support Grant (RSG) will not be applied in 2019/20. This increases the funding available to the Council in 2019/20 by just over £1m compared to previous forecasts, which had assumed this reduction in funding. As highlighted in 8.1.6 below, this increase is assumed to be for one year only.

8.1.4 It was also announced in the settlement that the New Homes Bonus (NHB) baseline will be retained at 0.4%, when it had been expected to fall. The published allocation for 2019/20 of £984k represents a reduction of £280k on funding received for 2018/19, which is in part due to a smaller increase in properties than forecast. Some reduction (approx. £160k) had been expected as, unless the rate of increase in properties is higher than it has been in recent years, the funding from this source will fall as you swap a year where the baseline was not applied (for example 2015/16, allocation based on October 2013 to October 2014) for one where it is (2019/20, allocation based on October 2017 to October 2018).

8.1.5 With the new homes baseline remaining unchanged, a further reduction in New Homes Bonus funding is therefore now expected in 2020/21 as growth in properties for the period October 2018 to October 2019 is expected to be similar to the twelve months prior. An estimated total of £844k is included for 2020/21 in the funding estimates shown in table 1 (£1.1m was included in previous estimates). The same figure is then included for the years beyond 2020/21, with the assumption that growth in properties will offset the impact of the baseline. The latest forecast provided by Planning Services would support this as a reasonable assumption based on current information. There is a risk of significant changes to New Homes Bonus which reduce the funding that it provides.

8.16 From 2020/21 it is expected that 75% Business Rates Retention and a new Fair Funding Formula will be introduced. In the absence of notification from government, estimates for 2020/21 and beyond assume that the new fair funding formula will build in a reduction equivalent to the amount that the Council was due to lose through the introduction of the negative RSG. Estimates also assume that the Business Rates Baseline total and negative RSG will increase by 3% per year, which is in line with previous totals published by the Ministry for Housing, Communities and Local Government (MHCLG).

8.1.7 Based on the above, this gives the following funding estimates:

Table 1: Estimated Non-specific Funding, excluding Council Tax (All amounts in £000)

2018/19		2019/20	2020/21	2021/22	2022/23
0	Revenue Support Grant	0	-1,103	-1,136	-1,170
2,622	Business Rates Baseline (share of income less tariff)	2,682	2,763	2,846	2,931
2,622	**Funding Assessment**	**2,682**	**1,660**	**1,710**	**1,761**
1,264	New Homes Bonus	984	844	844	844
3,886	**Total non-specific funding, excluding Council Tax**	**3,666**	**2,504**	**2,554**	**2,605**
	Change on previous year	-5.6%	-31.7%	+2.0%	+2.0%

8.1.8 Cabinet is asked in recommendation 2.1 to note the expected Central Government funding levels

8.1.9 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. These grant amounts are often uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. 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

	2018/19 amount £'000	**Expectation for 2019/20**
Housing Benefit Subsidy	32,158	Initial Estimate will be available late January 2019, so budget expectation for 2019/20 is based on the 2018/19 mid year estimate - £32.158million
Discretionary Housing Payments	260	An announcement is expected in January 2019. Expectation is that the grant level will be similar to 2018/19 - £260k.
Benefits Administration and Fraud Initiative	474	Following recent notifications received from MHCLG, total grant expected for 2019/20 is £430k (reduction of £44k). Housing Benefit admin grant has been confirmed as £311k for 2019/20 (£350k in 2018/19), with the reduction mainly due to the change in the methodology of apportioning the grant, while MHCLG also confirmed a 5% reduction in the Council tax admin grant to a total of £118k. This funding pressure is reflected in Appendix B.
Section 31 Grants to reimburse the impact of Business Rate reliefs and caps.	1,435	The amount received in 2019/20 will depend on the changes announced in the budget in November 2019. However the current expectation is that the level of grant will be similar to 2018/19.
Waste minimisation – HCC contribution	423	While Hertfordshire County Council (HCC) will again make a deduction of £0.33m from the total

	2018/19 amount £'000	Expectation for 2019/20
via the Alternate Financial Model.		AFM funding allocation for 2019/20, as part of a planned total £1m saving over the three financial years 2017/18 – 2019/20, 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. The most recent estimates from HCC, based on performance in the first half of 2018/19, indicates NHDC will be eligible for a similar amount in 2019/20 to the base budget estimate of £395k.
NNDR Administration Grant	184	The cost of collection will not be known until the central government return for business rates (NNDR 1 form) is completed in January 2019. Can assume a similar level to the 2018/19 level of £184k.
Flexible homelessness support grant	141	The 2019/20 allocation for Flexible Homelessness grant is £173k.
Syrian refugee resettlement grant	174	Estimated to be £327k in 19/20, based on North Herts housing 10 families.
Homelessness Reduction Act - New Burdens Funding.	32	The 2019/20 allocation for Homelessness Reduction Act New Burdens Funding is £37k.
Total Revenue Grants	**35,281**	

8.2 Business Rates and Council Tax

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 in the following financial year. The section 31 grant that NHDC receives for business rate reliefs and caps will be used for this purpose.

8.2.4 It is expected that the Council Tax collection fund will have a surplus recorded at the end of the year of £300k. As highlighted in the revenue monitoring report at quarter two, this total includes the accumulation of annual surpluses recorded for prior financial years. The reason for retaining an annual surplus in the Collection Fund has been that the accumulated surplus could be used to fund / offset collection deficits reported in future years. Annual surpluses have however been recorded for a number of years consecutively and so, as detailed in Appendix A, the surplus will be transferred from the Collection Fund to fund the Council's General Fund activities in 2019/20.

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

Business Rates Pilot

8.2.6 It was announced in the Provisional Local Government Finance Settlement that Hertfordshire has been successful in becoming a Business Rate pilot in 2019/20. As highlighted when the application was made, this will hopefully mean that the Council is around £800k better off than the baseline position included in the budget estimates in Appendix A, and £400k better off than being part of a pool. This is dependent on the Business Rates collected in North Hertfordshire and across Hertfordshire during 2019/20. The Council will not see the additional money in the General Fund until 2020/21, so there is no direct impact on the 2019/20 budget.

8.2.7 If Business Rates forecasts are looking positive, then it would be possible to spend some of the additional funding in 2019/20, although this should not be planned at this stage. In the Pilot application it was stated that the extra funding would be spent to promote economic growth and stability, which could cover a broad range of new and existing spend. Some of the County-wide surplus will be transferred in to an investment fund. It is forecast that this will be around £2.3m, and the Council would be able to bid for this.

Council Tax Flexibility

8.2.8 The draft Council Tax Referendum Principles, published alongside the Provisional Local Government Finance Settlement, provided confirmation that for 2019/20 Local Authorities can raise Council Tax by up to the greater of 3% or £5 (band D equivalent) without the need for a local referendum. In future years (for 2020/21) onwards it is expected that the limit will return back down to the greater of 2% or £5 (band D equivalent), as the increase to 3% was based on current levels of inflation. The Medium Term Financial Strategy (agreed by Council in September) proposed that the Council should increase Council Tax by as much as it is allowed to without triggering a referendum. Therefore a 2.99% increase is used to forecast Council Tax income in 2019/20, with £5 increases in the following years (£5 is greater than a 2% increase). Table 3 shows the level of Council Tax by year and the forecast level of income to the Council. Cabinet can recommend either a lower or higher rate of Council Tax increase to Full Council. The removal of the negative RSG in 2019/20 means that the Council will be able to provide a contribution to a funding equalisation reserve, which could be used to cushion the impact of future expected funding reductions. Whilst it could be tempting to increase Council Tax by less than the maximum allowed, this would reduce the Council Tax base for future years and therefore increase the expected funding gap in those years. It is therefore not recommended.

8.2.9 The Council is required to produce a Council Tax Base estimate in November for the following year, and this has been used for the 2019/20 forecast of Council Tax income. For future years a 1% growth per year in the Council Tax Base is estimated. Based on the above, table 2 provides a forecast of future Council Tax income.

Table 3: Forecasts of Council Tax level and income

2018/19		**2019/20**	**2019/20**	**2020/21**	**2021/22**
223.45	Band D Council Tax (£)	230.13	235.13	240.13	245.13
2.99%	Increase as a %	2.99%	2.17%	2.12%	2.08%
49,119	Estimated Council Tax Base	49,498	49,993	50,493	50,998
1%	Increase as a %	0.8%	1%	1%	1%
10,976	Council Tax income to NHDC (£000)	11,391	11,755	12,125	12,501

8.2.7 It should be noted that this only represents the District Council element of the Council Tax bill for households. Table 3 below shows the constituent elements of the 2018/19 Council Tax bill for a Band D property (excluding any Parish precept).

Table 4: Band D Council Tax 2018/19 (excluding Parish precepts)

	2018/19	**Share of bill**
	£	
District	223.45	13.1%
County Council	1,224.67	71.7%
County Council-Social Care Precept	95.79	5.6%
Police and Crime Commissioner	164.00	9.6%
Total	**1,707.91**	

8.2.8 Cabinet is asked in recommendation 2.3 to confirm that Council Tax increases for 2019/20 should be in line with the Medium Term Financial Strategy.

8.3 Balances and Reserves

8.3.1 In setting its budget, the Council needs to consider the level of its reserves. This consideration includes specific reserves, provisions and general fund 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. As shown in Appendix A, it is expected that the Council will be able to make a budgeted contribution to a funding equalisation reserve in 2019/20. This is alongside keeping other reserves and provisions at appropriate levels.

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

Table 5: Specific Reserves

	Balance at 1 April 2018 £000	Forecast balance at 31 March 2019 £000
Cemetery Mausoleum Reserve	140	140
Childrens Services Reserve	8	7
Climate Change Grant Reserve	30	29
Community Development Reserve	1	0
Community Right to Challenge Reserve	45	45
DCLG Grants Reserve *	868	1,646
DWP Additional Grants Reserve	129	180
Environmental Warranty Reserve	209	209
Growth Area Fund Reserve	53	53
Homelessness Grants Reserve	203	243
Housing & Planning Delivery Reserve	768	763
Information Technology Reserve	82	82
Insurance Reserve	34	34
Land Charges Reserve	104	94
Leisure Management Maintenance Reserve	47	47
Museum Exhibits Reserve	12	12
Neighbourhood Plan Reserve	41	41
Office Move IT Works	7	7
Paintings Conservation Reserve	11	11
Property Maintenance Reserve	62	72
S106 Monitoring Reserve	53	37
Special Reserve	1,720	1,657
Street Furniture	17	21
Street Name Plates	16	16
Syrian Refugee Project	87	172
Taxi Licences Reserve	13	13
Town Centre Maintenance	38	46
Traffic Regulation Orders	296	296
Waste Reserve	585	604
Waste Vehicles	0	500
Total Specific Reserves	**5,679**	**7,077**

** The DCLG Grants reserve will be used to fund the eligible amount of Business Rates levy payable for financial year 2018/19. This will reduce the current forecast reserve balance. As NHDC is a member of the Hertfordshire Business Rates Pool in 2018/19, the levy amount will be calculated by the Pool Lead authority, Hertfordshire County Council (HCC). Notification of the estimated levy amount is awaited from HCC.*

8.3.3 As at the 31 March 2018 there was a total of £1.252m held as provisions. These comprised of:

- Business Rates appeals - £1.126m - the NHDC share of outstanding business rates appeals.
- Insurance - £0.026m - covers the uninsured aspect of outstanding insurance claims.
- Restructure costs - £0.100m - set up at the end of 2017/18 for settlement costs relating to the restructure of senior management as part of the Corporate Restructure.

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 £15.1 million, this means a minimum balance of about £750k. 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 Service Director 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. Risks in relation to Brexit have been considered, although in most cases it is not possible to make an estimate of the financial impact. Other risks do include the potential impacts of Brexit where it affects the estimate (e.g. usage of bed and breakfast accommodation for homeless households). 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.

8.3.6

Table 6: Budget risks 2019/20

Category	**Number of risks**	**Forecast value of impact £000**	**Risk Allowance £000**
High	9	1,750	875
Medium	17	1,210	328
Low	19	7,499	0
Total	**45**	**10,559**	**1,203**

8.3.7 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £1.96 million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

8.3.8 **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 £1.96 million is recommended.**

8.4 Month 8 (November) Budget Review

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

Table 7- Summary of forecast variances

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry-forward requested £k	2019/20 Impact £k
Income from paper collected for recycling (sale & HCC recycling credit)	(559)	(476)	+83	The volume of paper collected continues to decline. 221 tons less paper was collected in April to September 2018, compared to the same period in the prior year.	0	83
Area Committee Grants	119	78	(41)	There is expected to be unspent budget following the final Area Committee meetings of the financial year in March 2019. This reflects fewer grant applications than anticipated being received and also includes grants awarded but not yet released pending evidence of certain criteria being met.	41	0
Income from Burials Service	(296)	(227)	+69	Income from the sale of burial plots and interment has been lower than anticipated. This could be a consequence of the opening of the Memoria crematorium in Holwell in June 2017. This provision, together with the Harwood Park Crematorium, has reduced the waiting times for cremation and meant that people are no longer going for full burial as their second option when waiting times have been too long for a cremation.	0	69
HCC contribution via the Alternate Financial Model.	(395)	(423)	(28)	The higher than anticipated AFM receipt follows the improved recycling performance of other Hertfordshire Authorities. This has reduced HCC waste disposal costs and increased the total AFM funding allocation distributed to waste collection authorities.	0	0

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry-forward requested £k	2019/20 Impact £k
Total of explained variances	**(1,131)**	**(1,048)**	**+83**		**41**	**152**
Other minor variances	16,407	16,440	+33		0	12
Overall total	**15,276**	**15,392**	**+116**		**41**	**164**

8.4.2 This has identified a total increase in forecast net spend of £116k against the working budget, with £41k of unspent budget requested to be carried forward into 2019/20. The final column of table 6 details the forecast impact on 2019/20, which is a £164k increase in required budget. These are included in Appendix B.

8.4.3 **Cabinet is asked in recommendation 2.5 to approve the increase in the 2018/19 working budget of £116k, and to note the expected impact in 2019/20 of a £164k increase in budget.**

8.4.4 **Cabinet is asked in recommendation 2.6 to note and comment on the request for the carry-forward of £41k budget from 2018/19 to 2019/20.**

8.5 Savings and Investment Proposals

8.5.1 The Medium Term Financial Strategy highlighted the need to find at least £700k of savings within 4 years. However this was dependent on future announcements on funding and also finalising estimates (e.g. Council Tax base and inflation estimates). The £700k is a net total, so any proposals for increased spend (e.g. investments) would increase the amount of savings required.

8.5.2 Budget proposals were put forward for discussion at Group workshops in November. To give the full context, these proposals included both savings and investment proposals. The comments made by the Groups were presented for consideration alongside the budget proposals at the December meeting of Cabinet.

8.5.3 At the meeting in December, Cabinet resolved to make several amendments to the savings and investment proposals. All the changes recommended by Cabinet are included and highlighted in Appendix B.

8.5.4 Cabinet is asked at recommendation 2.7 to approve the inclusion of the efficiencies and investment proposals at Appendix B in the General Fund budget estimates for 2019/20.

8.6 Overall summary

8.6.1 Appendix A provides a summary of the forecast General Fund impact of the factors referenced in the previous sections of this report. This includes an increase in Council Tax of 2.99% in 2019/20, the change in the expectation of future New Homes Bonus Funding, confirmation of Housing Benefit and Council Tax administration grants, and the ongoing impact of variances identified in the November monitoring.

8.6.2 Appendix A also includes a forecast of the remaining savings that the Council still needs to deliver by 2022/23. Savings totalling £1.2m are estimated to be required in order for the Council to balance income and expenditure by the end of the period. Furthermore, with the proposed phasing of these savings, there would be a need to use around £600k of reserves. These amounts could also be significantly affected by a number of factors which include:

- 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.
- Changes to the way New Homes Bonus is calculated in future years
- The successful delivery of the savings included within the budget forecasts.

8.6.3 Cabinet is asked at recommendation 2.8 to note the savings targets for future years.

8.6.4 Cabinet is asked at recommendation 2.9 to note the estimated 2018/19 net expenditure of £15.1m, as detailed in Appendix A, and recommends this budget to Council.

9. LEGAL IMPLICATIONS

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

9.2 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 the impact from the outcomes of the Fairer Funding review and potential future changes to how the New Homes Bonus Scheme operates.

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 within this report do not unduly disadvantage one individual group within our local community more than another, although proposals relating to the staff, their terms and conditions or future employment will need to be subject to individual equality analysis in due course, as for any organisational or service restructure.

12.3 For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this has either taken place or will take place following agreement of efficiencies or growth.

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 Where efficiency proposals directly affect staff, it is important that all affected staff are consulted and supported at the earliest opportunity and the Council's HR policies and procedures are followed.

15. APPENDICES

15.1 Appendix A – Budget Summary 2019/20 – 2022/23.
Appendix B – Revenue Efficiencies and Investment proposals.
Appendix C – Budget Risks for 2019/20.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Medium Term Financial Strategy 2019-24.

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General Fund Estimates 2019/20 - 2022/23

All amounts £000	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Net expenditure brought forward	14,549	15,136	14,808	14,911
Savings previously identified	-539	-85	-52	0
Savings reported after 2018/19 budget was set	-603	133	0	0
Pressures reported after 2018/19 budget was set	824	-228	63	0
Other previously agreed changes (including updates to amounts)	-134	-6	11	-5
Estimated Net Inflation	480	392	454	374
Expenditure Budget Carried Forward from 2018/19	128	-128	0	0
Provision for further revenue investments in future years	-	150	150	150
New savings proposals	-171	-9	-95	83
New revenue investments	602	-247	-28	8
Further savings tbc	-	-300	-400	-500
Total gross expenditure (excluding Housing Benefit subsidy)	**15,136**	**14,808**	**14,911**	**15,021**
Council Tax	-11,391	-11,755	-12,125	-12,501
Council Tax Collection Fund Accumulated Surplus	-300	0	0	0
Revenue Support Grant (negative)	0	1,103	1,136	1,170
Business Rates	-2,682	-2,763	-2,846	-2,931
New Homes Bonus	-984	-844	-844	-844
Other	39	24	24	24
Planned contribution to funding equalisation reserve	182	-182	0	0
Net funding position (use of reserves)	**0**	**391**	**256**	**-61**

Reserves b/f (as forecast at November 2018)	7,055	7,055	6,664	6,408
Reserves c/f	7,055	6,664	6,408	6,469

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New Efficiency Proposals for 2019/20 and beyond

Ref No	Service Directorate	Description of Proposal		Net Efficiency 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
E1	Regulatory	Deletion of Membership of Greater Cambridgeshire and Greater Peterborough LEP. The GCGP LEP ceased to operate as of 01 April 2018. The new LEP, known as The Business Board, is Cambridge and Peterborough orientated only.	Expenditure reduction	(16)	(16)	(16)	(16)
			Additional Income	-	-	-	-
			Total	(16)	(16)	(16)	(16)
E2	Regulatory	Removal of funding for Area Wide Parking Reviews in 2019/20. There is a sufficient balance in reserve to enable the works to be undertaken in 2019/20 without the need for this annual provision. UPDATE: Cabinet 21st December 2018: efficiency proposal recommended to be extended across the medium term period as no plans for expenditure in any of the next four years.	Expenditure reduction	(65)	(65)	(65)	(65)
			Additional Income	-	-	-	-
			Total	(65)	(65)	(65)	(65)
E3	Resources	Ceasing the use of duplicate payment finder software. Additional functionality from the recent upgrade of the Council's main accounting system means that additional software to identify duplicate payments is no longer required.	Expenditure reduction	(5)	(5)	(5)	(5)
			Additional Income	-	-	-	-
			Total	(5)	(5)	(5)	(5)
E4	Resources	Savings on the cost of insurance have materialised following the tender of the Council's insurance arrangements, primarily on our property insurance. We have also decided to no longer insure against loss of revenue for the leisure facilities in the event of them being damaged. We have restricted insuring against terrorism damage to just key buildings rather than the whole of the property portfolio. The public liability excess has also increased from £5,000 to £10,000 per claim, which meant the premium was held at the previous level rather than increasing.	Expenditure reduction	(48)	(48)	(48)	(48)
			Additional Income	-	-	-	-
			Total	(48)	(48)	(48)	(48)
E5	Place	Effective procurement and management of tree maintenance arrangements has facilitated a reduction in the estimated annual provision required to deliver this service without adversely impacting the condition of the trees maintained within the district.	Expenditure reduction	(10)	(10)	(10)	(10)
			Additional Income	-	-	-	-
			Total	(10)	(10)	(10)	(10)
E6	Regulatory	Planning advertising expenditure	Expenditure reduction	(5)	(5)	(5)	(5)
			Additional Income	-	-	-	-
			Total	(5)	(5)	(5)	(5)
E7	Legal & Community	Rolling reduction in area committee grant budgets equivalent to 20% of annual provision	Expenditure reduction	(10)	(19)	(25)	(31)
			Additional Income	-	-	-	-
			Total	(10)	(19)	(25)	(31)
E8	Legal & Community	Removal of budget provision for District Council elections in 2021/22 as no elections scheduled to be held.	Expenditure reduction	-	-	(89)	-
			Additional Income	-	-	-	-
			Total	-	-	(89)	-
E9	All Directorates	Budget scrutiny savings: total of minor savings (each less than £1K in value) identified from the review of existing base budgets.	Expenditure reduction	(12)	(12)	(12)	(12)
			Additional Income	-	-	-	-
			Total	(12)	(12)	(12)	(12)
Total Net Budget Reduction from new efficiency proposals			**Total Expenditure reduction**	**(171)**	**(180)**	**(275)**	**(192)**
			Total Additional Income	**-**	**-**	**-**	**-**
			Total Efficiencies	**(171)**	**(180)**	**(275)**	**(192)**

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal		Investment 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
R1	Regulatory	Local Plan 2011-2031- Current discussions with the Inspector lead officers to believe that it should be possible to achieve a recommendation to adopt within 2018/19 subject to decisions of the Council. As such, this bid focuses on the work that will need to be undertaken post-adoption such as the review of strategies and the undertaking of studies. This bid maybe subject to change following the Inspectors interim report.	Additional Expenditure	150	-	-	-
			Income Reduction	-	-	-	
			Total	150	-	-	-
R2	Regulatory	Retention of the 2018/19 parking tariff structure for 2019/20, including freezing prices for car park season tickets and residents parking permits.	Additional Expenditure	-	-	-	-
			Income Reduction	100	100	100	100
			Total	100	100	100	100

R3	Resources	Removal of earmarked efficiency from launch of NHDC Lottery (PE6 below). Planned efficiency values were based on the experience of the first year of the Vale Lottery. A further assessment of the options for delivering a NHDC lottery was subsequently undertaken by officers. Officers concluded that in the absence of a major driver for demand, such as the lottery being a means of supporting a local hospital, a lottery would most likely absorb significant officer resource for a relatively minor return.	**Additional Expenditure**	-	-	-	-
			Income Reduction	50	65	65	65
			Total	50	65	65	65
R4	Legal & Community	Removal of earmarked efficiency from replacement of area committees with a more informal alternative (PE4 below)	**Additional Expenditure**	50	50	50	50
			Income Reduction	-	-	-	-
			Total	50	50	50	50
R5	Regulatory	Removal of earmarked efficiency from the review of the Council's Parking Strategy (CBP 2017/18).	**Additional Expenditure**	-	-	-	-
			Income Reduction	100	100	100	100
			Total	100	100	100	100
R6	Regulatory	Review of Social Housing stock- On a four yearly basis, procure consultants to analyse the condition of housing stock in North Herts and/or support activity on measures aimed at resultant findings/current priorities (e.g. helping residents introduce energy efficiency measures).	**Additional Expenditure**	-	20	-	-
			Income Reduction	-	-	-	-
			Total	-	20	-	-
R7	Regulatory	Local housing market analysis- Appoint consultant biannually to provide information and analysis on the local housing market in order to inform the development of housing policies and strategies.	**Additional Expenditure**	-	8	-	8
			Income Reduction	-	-	-	-
			Total	-	8	-	8
R8	Resources	Payroll contract - One year extension of current Payroll Contract to the end of March 2020, as per published delegated decision notice 26/08/2018. Due to this annual contract price increase, a new contract will be procured and commence from 2020/21.	**Additional Expenditure**	12	12	12	12
			Income Reduction	-	-	-	-
			Total	12	12	12	12
R9	Legal & Community	Grant to Citizen Advice North Herts to provide advice and support to residents (1 year project).	**Additional Expenditure**	50	-	-	-
			Income Reduction	-	-	-	-
			Total	50	-	-	-
R10	Legal & Community	Grant to Age UK (Hertfordshire) to provide home visits to help identify and claim any currently unclaimed benefits (1 year project). Dependent on being able to confirm that grant is ring-fenced to North Herts.	**Additional Expenditure**	20	-	-	-
			Income Reduction	-	-	-	-
			Total	20	-	-	-
R11	Place	Tree Replacement - Replace 31 trees that died during the hot dry summer of 2018	**Additional Expenditure**	10	-	-	-
			Income Reduction	-	-	-	-
			Total	10	-	-	-
R12	Regulatory	Feasibility study to identify issues and their location in relation to Homes of Multiple Occupancy (HMOs)	**Additional Expenditure**	10	-	-	-
			Income Reduction	-	-	-	-
			Total	10	-	-	-
R13	Legal & Community	Additional budget for Health and Wellbeing team to help establish existing activities and identify models and funding opportunities for ongoing delivery.	**Additional Expenditure**	50	-	-	-
			Income Reduction	-	-	-	-
			Total	50	-	-	-
			Total Additional Expenditure	**352**	**90**	**62**	**70**
			Total Income Reduction	**250**	**265**	**265**	**265**
			Total Investments	**602**	**355**	**327**	**335**

Efficiencies earmarked in 2019/20 (and/or beyond) resulting from previous decisions

Ref No	Service Directorate	Description of Proposal		Efficiency 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
PE1	Customers	Restructure of Revenues team. The use of technology means that the service can absorb these changes with no impact on service delivery.	**Expenditure reduction**	(6)	(12)	(12)	(12)
			Additional Income	-	-	-	-
			Total	(6)	(12)	(12)	(12)

PE2	Resources	Reduction in the number of audit days delivered by the Shared Internal Audit Service. Proposed to reduce from 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)	(15)	(15)	(15)
			Additional Income	-	-	-	-
			Total	(10)	(15)	(15)	(15)
PE3	Resources	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)	(20)
			Additional Income	-	-	-	-
			Total	(20)	(20)	(20)	(20)
PE4	Legal & Community	Replace area committees with a more informal alternative (see R4). 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)
			Additional Income	-	-	-	-
			Total	(50)	(50)	(50)	(50)
PE5	Place	Provision of a Crematorium at Wilbury Hills. Delivery of the crematorium and any revenue efficiency is dependent on a successful planning application. 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**	-	-	-	-
			Additional Income	-	(50)	(100)	(100)
			Total	-	(50)	(100)	(100)
PE6	Resources	The launch of an NHDC Lottery (see R3). 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**	-	-	-	-
			Additional Income	(50)	(65)	(65)	(65)
			Total	(50)	(65)	(65)	(65)
PE7	Place	Reduction in cost for waste collection and street cleansing arising from the retendering of the service. Increase in efficiency from 2019/20 due to expectation of full year saving (contract commenced May 2018) and removal of initial one-off costs associated with the new contract.	**Expenditure reduction**	(203)	(203)	(203)	(203)
			Additional Income	-	-	-	-
			Total	(203)	(203)	(203)	(203)
PE8	Place	Full year effect of previous decision. The expected net impact of introducing garden waste charging, at £40 with a 26% take-up. Efficiency anticipated to be greater after year 1 following removal of initial one-off costs and early bird discount.	**Expenditure reduction**	-	-	-	-
			Additional Income	(131)	(131)	(131)	(131)
			Total	(131)	(131)	(131)	(131)
PE9	Place	Savings in staffing costs anticipated from year 2 of the contract from a joint waste client team with East Herts Council.	**Expenditure reduction**	(60)	(60)	(60)	(60)
			Additional Income	-	-	-	-
			Total	(60)	(60)	(60)	(60)
PE10	Legal & Community	Cease MOU and contractual payments to identified Community Groups. Baldock Town Centre Partnership. Grant ceasing at the end of 2020/21. Amounts to be paid: 2018/19 £6.8k, 2019/20 £4.6k, 2019/20 £2.3k. Hitchin British Schools Museum. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £4.5k, 2019/20 £2.2k. Sports North Herts. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £3k, 2019/20 £1.5k. Arts Council for North Herts. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £5.5k, 2019/20 £2.8k. Stevenage and North Herts Women's Resource Centre. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £0.7k, 2019/20 £0.4k.	**Expenditure reduction**	(9)	(18)	(20)	(20)
			Additional Income	-	-	-	-
			Total	(9)	(18)	(20)	(20)

Total Net Budget Reduction from earmarked efficiencies	**Total Expenditure reduction**	**(358)**	**(378)**	**(380)**	**(380)**
	Total Additional Income	**(181)**	**(246)**	**(296)**	**(296)**
	Total Efficiencies	**(539)**	**(624)**	**(676)**	**(676)**

Savings incorporated since 2018/19 Budget approved by Council in February 2018

Report	Service Directorate	Description of Saving		Saving 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Q3 2017/18	Commercialisation	Increase in rental income following rent review (included within ongoing impact total relating to 'other minor balances' of Q3 2017/18 report)	**Expenditure reduction**	-	-	-	-
			Additional Income	(5)	(5)	(5)	(5)
			Total	(5)	(5)	(5)	(5)
Council 10.4.2018	Legal & Community	The Council resolution at its meeting on 10th April was that that the adopted member allowances scheme for 2017/18 should remain in place without amendment for the 2018/19 year which reduces the anticipated cost in future years. This saving is the inflation that would have been paid if the amounts had increased.	**Expenditure reduction**	(7)	(7)	(7)	(7)
			Additional Income	-	-	-	-
			Total	(7)	(7)	(7)	(7)

Q1 2018/19	Place	The original estimate of take-up of the chargeable garden waste service was based on the results of the public consultation, which indicated a 26% take up. The service has however been more popular than the consultation suggested, with currently over 50% of households registered for the service. It is currently assumed that this level of take-up will continue next year.	Expenditure reduction	-	-	-	-
			Additional Income	(235)	(235)	(235)	(235)
			Total	(235)	(235)	(235)	(235)
Q2 2018/19	All Directorates	The original staff salary cost estimate for 2018/19 was based on assumption of pay award of 3% for all pay grades. Negotiated pay offers resulted in salary increases ranging from 2% for middle to higher salary grades to 9% at the lowest pay point.	Expenditure reduction	(85)	(85)	(85)	(85)
			Additional Income	-	-	-	-
			Total	(85)	(85)	(85)	(85)
Q2 2018/19	Chief Executive	Interest on mortgage payments. The final outstanding Housing Association mortgage was redeemed early so the Council no longer has any outstanding mortgages. Saving value included in 'other minor variances' ongoing impact total in Q2 report.	Expenditure reduction	(7)	(7)	(7)	(7)
			Additional Income	-	-	-	-
			Total	(7)	(7)	(7)	(7)
Q2 2018/19	Chief Executive	Increase in anticipated level of investment interest income due to the reprofiling of the Capital Programme increasing cash balances available for investment.	Expenditure reduction	-	-	-	-
			Additional Income	(133)	-	-	-
			Total	(133)	-	-	-
Q2 2018/19	Chief Executive	Saving on anticipated cost of External Audit, based on Public Sector Audit Appointments published scale of fees. Saving value included within other minor variances ongoing impact total in Q2 report.	Expenditure reduction	(6)	(6)	(6)	(6)
			Additional Income	-	-	-	-
			Total	(6)	(6)	(6)	(6)
Q2 2018/19	Customers	Photocopying costs. The temporary relocation to Town Lodge prompted a reduction in the total number of MFD machines, with three less in operation. This reduction was then made permanent when the lease contract was renewed prior to the return to DCO. This has resulted in lower rental costs, print charges and paper costs.	Expenditure reduction	(18)	(18)	(18)	(18)
			Additional Income	-	-	-	-
			Total	(18)	(18)	(18)	(18)
Q2 2018/19	Customers	Stationery expenditure. Centralisation of stationery stock management and procurement has facilitated a further reduction in resource required (included within other minor variances ongoing impact total in Q2 report).	Expenditure reduction	(8)	(8)	(8)	(8)
			Additional Income	-	-	-	-
			Total	(8)	(8)	(8)	(8)
Q2 2018/19	Customers	Court summons fees. With effect from 20th July 2018, the fee charged by Magistrates Courts for the issue of a liability order was reduced from £3.00 to £0.50. Annual saving value based on recent levels of activity and was included within other minor variances ongoing impact total in Q2 report.	Expenditure reduction	(10)	(10)	(10)	(10)
			Additional Income	-	-	-	-
			Total	(10)	(10)	(10)	(10)
Q2 2018/19	Customers	Document Imaging contract. The prevalence of electronic invoicing and the transfer of the building control function to the trading company have contributed to a reduction in the volume of documents sent for scanning. Saving value included within other minor variances ongoing impact total in Q2 report.	Expenditure reduction	(9)	(9)	(9)	(9)
			Additional Income	-	-	-	-
			Total	(9)	(9)	(9)	(9)
Q2 2018/19	Resources	Energy management arrangements. The Council no longer pays a fixed amount to a service provider to check energy bills received and flag any potential variances in amounts billed / energy consumed. The Council appointed a new contractor to be responsible for all aspects of energy procurement and billing, with the fee charged to the Council built into the price per unit of energy. Saving value included within other minor variances ongoing impact total in Q2 report.	Expenditure reduction	(5)	(5)	(5)	(5)
			Additional Income	-	-	-	-
			Total	(5)	(5)	(5)	(5)
Q2 2018/19	Place	Garden Waste Collection. Net income from additional households registering for the service during quarter 2.	Expenditure reduction	-	-	-	-
			Additional Income	(61)	(61)	(61)	(61)
			Total	(61)	(61)	(61)	(61)
Revenue Budget Report 2019/20	Resources	Gas energy costs for DCO and Town Lodge premises. Reduction in spend on gas due to the DCO's heating being primarily electric following the refurbishment and the decant of staff from Town Lodge. Saving value included within other minor variances ongoing impact total in November monitoring within draft budget report.	Expenditure reduction	(7)	(7)	(7)	(7)
			Additional Income	-	-	-	-
			Total	(7)	(7)	(7)	(7)
Revenue Budget Report 2019/20	All Directorates	Electricity costs. While there is a trend of rising energy prices, overall net reduction in planned expenditure on electricity mainly due to the vacation of office premises at Town Lodge and Letchworth Broadway. Saving value included within other minor variances ongoing impact total in November monitoring within draft budget report.	Expenditure reduction	(7)	(7)	(7)	(7)
			Additional Income	-	-	-	-
			Total	(7)	(7)	(7)	(7)

Total Savings incorporated since 2018/19 budget agreed in February 2018	**Total Expenditure reduction**	**(169)**	**(169)**	**(169)**	**(169)**
	Total Additional Income	**(434)**	**(301)**	**(301)**	**(301)**
	Total Efficiencies	**(603)**	**(470)**	**(470)**	**(470)**

Budget Pressures incorporated since 2018/19 Budget approved by Council in February 2018

Report	Service Directorate	Description of Pressure		Pressure 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Outturn 2017/18	Resources	Removal of Income expectation from Herts CCTV Company. Anticipated income had been based on the original estimates prepared when the CCTV company was formed.	Additional Expenditure	-	-	-	-
			Income Reduction	39	39	39	39
			Total	39	39	39	39
Outturn 2017/18	Customers	Council Tax Summons Income. The increasing proportion of households paying their Council Tax by direct debit has contributed to reducing the numbers of people taken to court over non-payment. Waiting times for court dates have also increased, which has extended the period available to pay the outstanding sum prior to the court summons being issued.	Additional Expenditure	-	-	-	-
			Income Reduction	35	35	35	35
			Total	35	35	35	35
Outturn 2017/18	Customers	NNDR Court Summons Income	Additional Expenditure	-	-	-	-
			Income Reduction	11	11	11	11
			Total	11	11	11	11
Q1 2018/19	Place	Processing of comingled recyclates. China's decision to ban the import of certain categories of recycled materials from the start of the calendar year has ultimately led to a significant decline in the sale value of these materials. A fall in sale prices directly increases the processing unit cost charged to NHDC.	Additional Expenditure	130	130	130	130
			Income Reduction	-	-	-	-
			Total	130	130	130	130
Q1 2018/19	Customers	Government Grant Income. Notification received from Central Government of reductions to Housing Benefit administration grant (£29,300 reduction from 2017/18) and Council Tax administration grant (£9,600 reduction from 2017/18).	Additional Expenditure	-	-	-	-
			Income Reduction	39	39	39	39
			Total	39	39	39	39
Q3 2017/18 Outturn 17/18 Q1 2018/19	All Directorates	Total net ongoing impact of minor variances reported in quarterly monitoring reports to Cabinet since original budget was approved in February 2018. Q3 2017/18 = £2k, Q1 2018/19 = £11k	Additional Expenditure	13	13	13	13
			Income Reduction	-	-	-	-
			Total	13	13	13	13
Q1 2018/19	Commercialisation	Recruitment of two additional officers to the Commercial Support Team within the Commercialisation Service Directorate. The new posts will lead on the development of a housing investment company and explore new commercial opportunities, while also mapping out, supporting and developing internal services to increase commercial capacity. It is estimated that additional annual resource up to a maximum of £125k is required to meet the cost of the new positions; with maximum additional expenditure in 2018/19 of half this amount (£62.5k) should the recruitment process be successful. The Council's Senior Management Team recommended that the cost of the first two years of these posts should be funded from the Special reserve.	Additional Expenditure	-	62	125	125
			Income Reduction	-	-	-	-
			Total	-	62	125	125
Council 22.11.2018	Place	Waste Collection Service in North Herfordshire. In recognition of the service received since the start of the new waste contract, which has not been of the standard we expect, the Council agrees an extension of the current 12 month payment period for green waste collection, for a further period of 3 months. The PMR deduction was reflected in the Q2 monitor and is now part of the General Fund balance. In effect this can be used as funding towards this extension.	Additional Expenditure	-	-	-	-
			Income Reduction	290	-	-	-
			Total	290	-	-	-
Council 22.11.2018	Chief Executive	Member Allowances Scheme 2019/20. An additional amount (£1,500) required to cover the payments to the Opposition and Third Party Leaders to cover their increased membership. Honoraria for three panel members at £500 each per year, for any year that a Panel reviews and prepares a report on Members' Allowances.	Additional Expenditure	3	3	3	3
			Income Reduction	-	-	-	-
			Total	3	3	3	3
Q2 2018/19	Customers	Land charges income. The response to building control related elements of personal searches, previously provided by NHDC, is now undertaken by Hertfordshire Building Control.	Additional Expenditure	-	-	-	-
			Income Reduction	10	10	10	10
			Total	10	10	10	10
Q2 2018/19	All Directorates	The national business rates revaluation in April 2017 resulted in significant increases to the rateable values of some of the Council's assets. Where this occurred, the authority was eligible for transitional relief, which allows the increase in rates to the higher value to be incremental over five years.	Additional Expenditure	32	32	32	32
			Income Reduction	-	-	-	-
			Total	32	32	32	32
Revenue Budget Report 2019/20	Place	Income from paper collected for recycling.	Additional Expenditure	-	-	-	-
			Income Reduction	83	83	83	83
			Total	83	83	83	83

Revenue Budget Report 2019/20	Place	Income from burials service.	**Additional Expenditure**	-	-	-	-
			Income Reduction	69	69	69	69
			Total	69	69	69	69
Revenue Budget Report 2019/20	Place	Street Sweeper at Letchworth Garden Square. The Letchworth Garden City Heritage Foundation no longer require the street sweeping machine - the cleansing is now undertaken by the Foundation. Pressure value included within other minor variances ongoing impact total in November monitoring within draft budget report.	**Additional Expenditure**	-	-	-	-
			Income Reduction	6	6	6	6
			Total	6	6	6	6
Revenue Budget Report 2019/20	All Directorates	Business Rates expenditure for Council properties. Adjustment to forecast reported at Q2 following further review. Pressure value included within other minor variances ongoing impact total in November monitoring within draft budget report.	**Additional Expenditure**	16	16	16	16
			Income Reduction	-	-	-	-
			Total	16	16	16	16
Revenue Budget Report 2019/20	Customers	Empty Property Review. The review looks at dwellings classified as empty to see if they actually are, or if Council Tax can be billed as the homes are inhabited. As the financial benefit from the exercise is realised in the Collection Fund position, contributions are drawn from the County Council and the Police and Crime Commissioner. Pressure value included within other minor variances ongoing impact total in November monitoring within draft budget report.	**Additional Expenditure**	4	4	4	4
			Income Reduction	-	-	-	-
			Total	4	4	4	4
Revenue Budget Report 2019/20	Customers	Housing Benefit and Council Tax administration grants. Notifications received from MHCLG - total grant expected for 2019/20 is £430k (reduction of £44k on 2018/19). Housing Benefit admin grant has been confirmed as £311k for 2019/20 (£350k in 2018/19), with the reduction mainly due to the change in the methodology for apportioning the grant, while MHCLG also confirmed a 5% reduction in the Council tax admin grant to a total of £118k.	**Additional Expenditure**	-	-	-	-
			Income Reduction	44	44	44	44
			Total	44	44	44	44

Total Net Budget Increase	**Total Additional Expenditure**	**198**	**260**	**323**	**323**
	Total Income Reduction	**626**	**336**	**336**	**336**
	Total Pressures Arising	**824**	**596**	**659**	**659**

Previously agreed changes, including updates to amounts

Reference	Service Directorate	Description		Pressure / Saving 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CBP 15/16 & CBP 16/17	Regulatory	Removal of Planning Services investment bids approved in prior years. 2015/16 CBP - Master-Planning of sites costs (part of the delivery of the Local Plan). £50k was earmarked in 2017/18 and £50k in 2018/19 (only). 2016/17 CBP - Local Plan costs - Following the Preferred Options consultation in 2015 additional work was identified as required before publication of the submission documentation. In addition the 2015 Central Bedfordshire examination identified that the current IT system did not meet the necessary legal tests. £120k earmarked in 2017/18 and £110k earmarked in 2018/19 (only).	**Expenditure Impact**	(160)	(160)	(160)	(160)
			Income Impact	-	-	-	-
			Total	(160)	(160)	(160)	(160)
CBP 2017/18	Customers	The original efficiency proposal, relating to the staffing restructure of the Systems & Technical Team, estimated that the saving would reduce from 2019/20 due to the requirement to renew GovTech Online Forms software.	**Expenditure Impact**	15	15	15	15
			Income Impact	-	-	-	-
			Total	15	15	15	15
-	Chief Executive	Reduction in annual interest payments relating to outstanding loans with Public Works Loans Board. The annual interest payments reduce as the loan principal is repaid. UPDATE CBP 2019/20: Estimates updated and extended to 2022/23	**Expenditure Impact**	-	(1)	(2)	(3)
			Income Impact	-	-	-	-
			Total	-	(1)	(2)	(3)
Council 31st August 2017	Chief Executive	Annual interest (fixed at 3.5%) receivable from NHDC loan to SLL for purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres, approved by Council in August 2017, decreases as the loan principal is repaid. UPDATE CBP 2019/20: Interest income estimate extended to 2022/23	**Expenditure Impact**	-	-	-	-
			Income Impact	3	6	10	14
			Total	3	6	10	14
-	Chief Executive	District Wide Survey (estimated cost £16k) and Citizens' Panel (estimated cost £8k) take place in alternate years. UPDATE CBP 2019/20: Estimates include cost of District Wide Survey in 2021/22	**Expenditure Impact**	8	-	8	-
			Income Impact	-	-	-	-
			Total	8	-	8	-

Total Net Budget Impact	**Total Expenditure Impact**	**(137)**	**(146)**	**(139)**	**(148)**
	Total Income Impact	**3**	**6**	**10**	**14**
	Total Budget Impact	**(134)**	**(140)**	**(129)**	**(134)**

Identified Financial Risks 2019/20

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Commercialisation	FR1	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.	M	100,000	25%	25,000
	FR2	Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	M	35,000	25%	8,750
	FR3	Contamination clear-up costs for disposal/vacant sites	L	250,000	0%	0
	FR4	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
Customers	FR5	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	L	500,000	0%	0
	FR6	Bad Debt Provision may need to increase in light of the roll-out of Universal Credit.	M	70,000	25%	17,500
	FR7	Ransomware attack results in the write-off of IT hardware and infrastructure.	L	200,000	0%	0
	FR8	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.	H	50,000	50%	25,000
	FR9	The payment of compensation to Careline’s corporate or retail customers arising from a service interruption.	L	10,000	0%	0
Legal &	FR10	District by-election	L	4,000	0%	0
	FR11	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	M	100,000	25%	25,000
	FR12	Legal expertise related to employment cases	M	50,000	25%	12,500
	FR13	The Council is required to meet the cost of any award from new or ongoing judicial reviews.	H	100,000	50%	50,000

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
& Community	FR14	Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
	FR15	Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
	FR16	Domestic Homicide Review – requirement for additional resources to respond	L	15,000	0%	0
	FR17	Elections team staffing resource - requirement to deliver a parliamentary election and / or public referendum, in addition to scheduled elections, results in an increased use of temporary staff.	M	25,000	25%	6,250
Place	FR18	The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	L	300,000	0%	0
	FR19	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	H	100,000	50%	50,000
	FR20	Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	L	50,000	0%	0
	FR21	Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	100,000	0%	0
	FR22	Cost of felling and destroying trees as a result of tree disease	L	75,000	0%	0
	FR23	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.	H	40,000	50%	20,000
	FR24	Usage of bed and breakfast accommodation for homeless households.	M	180,000	25%	45,000
	FR25	Dangerous structures - where the Council is unable to recover the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered.	M	50,000	25%	12,500
	FR26	Specialist advice required with regard to planning applications, e.g. town centre schemes and "hostile applications".	M	100,000	25%	25,000
	FR27	Costs associated with a challenge to a decision of the Council, for example an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction.	H	500,000	50%	250,000

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Regulatory	FR28	Enforcement – costs in relation to enforcement through direct action or appeal processes.	M	100,000	25%	25,000
	FR29	New duties and obligations associated with changes to government policy	L	25,000	0%	0
	FR30	Local Plan: additional costs associated with progressing the Local Plan.	H	250,000	50%	125,000
	FR31	Local Plan: costs associated with a challenge to the Local Plan either from the Council or another stakeholder/authority	H	450,000	50%	225,000
	FR32	Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000
	FR33	Income related to planning applications is lower than the budget expectation as a result of a delay to Local Plan progress or the economic impact of Brexit.	M	250,000	25%	62,500
	FR34	Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs.	M	30,000	25%	7,500
	FR35	Termination of North Hertfordshire Housing Partnership and end of shared policy/software arrangements with settle.	L	20,000	0%	0
Resources	FR36	Assumed vacancy saving within staffing payroll budgets does not materialise as a slimmer staffing structure reduces both employee turnover and the capacity to hold posts vacant for any significant period of time.	L	300,000	0%	0
	FR37	Breach of partial-exemption calculation for VAT	L	300,000	0%	0
	FR38	The Council's compliance contractors identify exceptional repairs and maintenance required for Council properties.	M	50,000	25%	12,500
	FR39	Localisation of Business Rates – The council is now directly exposed to a range of risks including; business rates levy, safety net.	L	130,000	0%	0
	FR40	Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
	FR41	Further levy is charged through the MMI Scheme of Arrangement	L	20,000	0%	0

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
	FR42	Treasury Management - potential default by a counter party	L	5,000,000	0%	0
	FR43	Difficulty in recruiting Facilities Assistants results in higher expenditure on agency staff	H	10,000	50%	5,000
	FR44	Employment related risks related to outsourcing, shared services and restructuring	H	250,000	50%	125,000
	FR45	Reduced staffing capacity means that the delivery of efficiency proposals or investment projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	M	50,000	25%	12,500
				10,559,000		**1,202,500**

COUNCIL
7 FEBRUARY 2019

PUBLIC DOCUMENT

REPORT PRESENTED TO CABINET ON 29 JANUARY 2019

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

REPORT OF : SERVICE DIRECTOR- RESOURCES
EXECUTIVE MEMBER : COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 The Council has produced an Investment Strategy in response to guidance from the Ministry for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA). It replaces the Capital Programme and Treasury Strategy that have previously been produced.

1.2 The Investment Strategy provides additional information that was not previously contained within the previous separate reports and this is explained in section 8.

1.3 The Investment Strategy contains the following key information:

- A capital programme for 2019/20 of £8.213m, and £11.303m for the period 2019/20 to 2023/24.
- Recommendations on Prudential Indicators and other Treasury Indicators that will be monitored and reported on during the year (2019/20)
- Changes to the scope of treasury investments to be included within the strategy.

2. RECOMMENDATIONS

2.1 That Cabinet recommend to Council the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.

2.2 That Cabinet recommend to Council the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.17 to 8.23).

3. REASONS FOR RECOMMENDATIONS

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

3.2 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

4. ALTERNATIVE OPTIONS CONSIDERED

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

4.2 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2018. 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.

5.3 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on 18 December 2018.

7. BACKGROUND

7.1 On 2nd February 2018, the MHCLG published updated statutory guidance on Local Government investments. The guidance was effective from 1st April 2018, but it recognised that it had been published very late and therefore full implementation could be delayed until 2019/20. As at the date that the statutory guidance was issued, the Council's capital programme and treasury strategy has already been considered by Cabinet and recommended on to Full Council. Therefore the option was taken to defer to 2019/20.

7.2 Guidance issued by CIPFA is in the form of the Prudential Code (i.e. the Prudential Code for Capital Finance in Local Authorities, 2017 Edition) and the Treasury Management Code (i.e. the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition).

7.3 The statutory guidance issued by the MHCLG has broadened the scope of what should be covered by the treasury management principles of Security, Liquidity and Yield. This has now been extended to include capital assets that are held for financial returns, rather than just treasury investments. For these assets it has also added a requirement to consider the fair value of the asset and the risk of loss.

7.4 The guidance also now requires a consideration of the full costs of holding assets, including both revenue and capital maintenance. It also encourages taking a longer term view of this expenditure i.e. up to 10 years.

7.5 The guidance provides a revised definition of 'borrowing in advance of need'. In the past this has been determined to be borrowing before it is strictly needed and then investing the surplus cash. If the borrowing is cheap enough and it is invested in the right way then this can create a net gain. The new definition now determines that borrowing for capital investments where they are acquired purely to generate profit is also now treated as borrowing in advance of need.

7.6 In the past, Members have approved a capital programme and a treasury management strategy. In line with the new guidance, these are now covered within a single Investment Strategy. Whilst there was an option to retain multiple documents, it was felt that this would have resulted in duplication and something that was less coherent.

7.7 The Finance, Audit and Risk Committee received an early draft of the Investment Strategy in September. This gave them an opportunity to comment on the format and readability of the document. The Shared Internal Audit Service (SIAS) have also audited the document to confirm that it adheres to the statutory guidance. The Council has agreed changes in relation to all the recommendations made.

7.8 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.

7.9 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2018/19. The report advised that total expenditure of £17.823m would be required to deliver the current capital programme for 2018-2023, with £7.211m forecast to be spent in 2018/19. 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 2018.

Table 1- Capital Estimates

	2018/19 £M	2019/20 £M	2020/21 to 2022/23 £M
Original Estimates approved by Full Council February 2018	**12.511**	**1.828**	**2.737**
Changes approved by Cabinet in 2017/18 Capital Outturn report (reprogramming from 2017/18)	5.644	0	0
Revised Capital Estimates at start of 2017/18	**18.155**	**1.828**	**2.737**
Changes approved by Cabinet at 1st Quarter	-2.298	0.150	-1.490
Addition to capital programme for lift at Town Hall / Museum	0.020	0	0
Changes approved by Cabinet at 2nd Quarter	-8.666	6.387	1.000
Current Capital Estimates	**7.211**	**8.365**	**2.247**

7.10 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 2018. Notes of the comments and questions raised at the workshops were provided to Cabinet in December.

7.11 The Treasury Strategy Statement for 2018/19 was approved by Council in February 2018. A mid year review of the Treasury Strategy was provided to Council in January 2018. There have been no changes made to the Strategy during the course of 2018/19.

8. RELEVANT CONSIDERATIONS

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

- New capital investment proposals totalling £0.391m
- A total capital programme for the period of 2019/20 to 2023/24 of £11.303m
- Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators

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

- Appendix A1- A full list of planned future capital expenditure (2019/20 onwards)
- Appendix A2- A list of new capital schemes and schemes planned to commence from 2019/20

8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). A lot of the content of the Investment Strategy is combining information previously incorporated in the capital programme and treasury strategy. The following paragraphs detail the additional information required and any changes made to policies.

8.4 'Skills and Culture' section on pages 5 and 6. The new guidance requires the strategy to describe the training that has been put in place to enable decision makers to have the knowledge and information they need to make decisions. The increased scope of this strategy and the increased focus of the Council on commercial opportunities, increases the importance for training to be made available and for all decision makers to take it up.

8.5 In table 4 on page 10, the Council is now required to assess the security, liquidity and yield of the capital assets that are owned for purposes other than service delivery (i.e. to generate income). Security, liquidity and yield considerations have previously only been applied to treasury investments, and are not easy to apply to other types of asset. All of these income generating assets have been owned by the Council for many years and have provided a stable income stream. These concepts will be more relevant to the acquisition of any new assets. Similarly, table 5 on page 11 and 12 is a new requirement to consider the fair value of assets and the risk of loss. All the Council's investment assets are revalued annually on fair value basis (i.e. what an independent third party would pay for the asset). Due to the nature of most of the leases in place the risk of loss is very low.

8.6 In table 6 (pages 13) there is a new requirement to consider a 10-year time horizon in respect of the costs of maintaining assets in a useable condition. The values provided for years 6 to 10 are high level estimates only and will be subject to change. There is also is a new requirement to show the revenue costs of maintaining capital assets alongside the capital costs (page 13). Previously this would only have been reflected in the revenue budget. This helps to give a more complete picture in one place.

8.7 Tables 8 and 9 on page 15 are the equivalent of tables 4 and 5 (described above) for new planned capital assets. The only relevant assets are building or acquiring market housing. An overall summary is provided within the strategy, but the detail will depend on the exact assets and this analysis will form part of the business case for each one.

8.8 Table 10 provides estimates of the capital receipts that the Council estimates that it will receive from the disposal of surplus land and buildings. These are prudent estimates based on a view of the potential use for these sites. Actual values will be subject to planning and market conditions. Whilst the Council's Estates function has to fully operate within planning rules, it will do this with a commercial focus. The Council may choose to retain some of these sites for the purpose of generating revenue income. Any business case in relation to this would consider the lost capital income and the revenue implications (e.g. borrowing) of doing this.

8.9 Part 4 of the strategy (page 18 onwards) details the borrowing strategy of the Council. Given the estimates of capital spend and capital receipts, it is not expected that the Council will need to borrow any additional money. It will continue to hold existing borrowing due to the premiums attached to early repayment. The operational boundary (page 19) is the amount that external debt is not normally expected to exceed. Given that it is expected that the Council will not need to borrow any additional funds, this is set at £1m above the forecast of total external debt. The authorised limit is the limit beyond which external debt is prohibited without first reporting back to Full Council. This is set at around £5m above the operational boundary. This would cover the unlikely event that there is a need to borrow for cash-flow purposes.

8.10 Table 16 on page 26 details where the Council has provided, or plans to provide, loans that are not for treasury management purposes. The only example of an existing loan is to the Hertfordshire Building Control company, which is a jointly owned Local Authority company where the Council is also a shareholder. The potential future loan is to a wholly owned Property Company as a means to provide financing to the company. The table provides an assessment of the loan and the risks involved.

8.11 Part 5 of the strategy (page 25 onwards) sets out how the Council will invest its surplus cash, in terms of where and for how long. Surplus cash is generally made up of the General Fund balance, revenue reserves and provisions, s106 balances, capital receipts and set-aside receipts. Investment choices are based on applying the principles of security (how safe the underlying cash is), liquidity (how easy it is to access the cash) and yield (the interest earned), in that order.

8.12 No investment is completely safe and in general the yield earned is to compensate for the risk of holding that investment. The Council currently takes on greater risk than is recommended by our treasury advisors (Link Asset Services) in relation to:

- Investments in unrated UK Building Societies- this risk is partly managed by reviewing other available information and limiting the size of investments. It also reflects that Building societies are regulated to the same standards as UK banks and are prevented by law from undertaking risky financial trading. Furthermore, 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.
- Only investing within the United Kingdom- this limits the opportunities to diversify the portfolio of investments. Diversification allows risk to be spread across a number of different institutions and/or institutions with different risk exposures.

8.13 The previous investment strategy set limits based on the percentage of total available cash on the day that the investment is placed. This has resulted in two minor breaches of the strategy due to errors keeping track of the limit on that day (which have been reported to Cabinet). It also means that a long-term investment (e.g. 1 year) could be made on one day but not on the following day (or vice versa), even though the risk exposure is fundamentally the same.

8.14 To address the issues highlighted in 8.12, the following changes are included in the new strategy:

- To continue to invest in unrated UK building societies, but to reduce the amount that can be invested in each one and also make use of KPMG reports (already being used but are in addition to the current strategy). To also reduce the maximum amount that can be invested in Building Societies and Property funds combined to 60% (previously 75%).
- To allow investments in non-UK banks subject to both a country credit rating (as provided by Fitch) of AAA and above and an institution rating of AA- and above. These are both more stringent than are applied to UK investments (UK sovereign rating is currently AA and the minimum UK institution rating is BBB or above). Any investment would be in Sterling and therefore there would be no currency risk. The sovereign (country) limit has been deliberately set at the highest possible level, and is above the minimum level recommended by Link of AA-. As an example, this limit would not have allowed an investment in Iceland at any point preceding the crash in 2008. During the period from 2000 to 2008 the highest foreign currency rating was AA-. As at 28th December 2018, the following counties have a rating of AAA: Australia (4), Canada (5), Denmark (0), Germany (3), Netherlands (2), Singapore (3), Sweden (3), Switzerland (1) and USA (4). The numbers in brackets following each country is the number of institutions that meet the AA- institution rating criteria.

- To allow investments in any AAA rated Money Market Fund (MMF), not just UK only. The main point of MMFs is that they enable diversification, which is best achieved if the only limitation is the quality of the investments that they can invest in. It also widens the number of MMFs that the Council could invest in (currently only one meets the UK criteria), which allows diversification across MMFs. The MMF that the Council can currently invest in is only open to Local Authorities. This could be a liquidity risk if all the Councils wanted to disinvest at the same time.

8.15 To address the issue raised in 8.13 the new strategy takes the expected year end cash balance (as at 31st March 2020), based on budget and cash-flow forecasts. Any percentages will be applied to this total to convert it in to a £ value (rounded up to the nearest £1m) that will then be applied all year. For example, if it is expected that the year end cash balance will be £28m and 10% can be invested in any individual bank, then the limit will be £3m throughout the year.

8.16 The other changes that are included in the new strategy are:

- The current policy is unclear on whether there is a limit on UK Government Debt Management Office (DMO) investments. This is a short-term investment direct with the UK Government so is the safest place for the Council to put its cash. Therefore the proposal is that there is no limit on these investments.
- The current policy is unclear on whether there is a limit on other Local Authority investments in total. This is the next safest type of investment as it is with a tax raising body. Therefore the proposal is that there is no limit on these investments in total, but limited by the amount with any individual Local Authority.
- The current policy states that the balance in the Council's current account is excluded from any limits. The proposal is that a limit of £5m is set. This is an amount that is considered to be sufficient for cash management purposes and ensures that there is a formal control in relation to this.
- Any investments with a term of greater of 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 40% of the estimated balance.

8.17 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.

8.18 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.

8.19 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:

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

8.20 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs are substantially unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):

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

8.21 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

8.22 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.6.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (a) (iii) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.

8.23 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

9. LEGAL IMPLICATIONS

9.1 Full Council will decide the overall capital budget (Constitution 4.3) and approve the treasury management strategy statement (Constitution 4.4.1 (dd)).

9.2 Cabinet will recommend to Full Council the annual capital budget (Constitution 5.6.38) and treasury management strategy statement (Constitution 5.6.39).

9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).

9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Service Director- Resources.

9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

10. FINANCIAL IMPLICATIONS

10.1 The financial implications are covered in section 8 of the report.

11. RISK IMPLICATIONS

11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed. The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.

11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.20) and Financial Regulations provide controls to manage other risks.

12. EQUALITIES IMPLICATIONS

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

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 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 resources implications.

15. APPENDICES

15.1 Appendix A: Investment Strategy (Integrated Capital and Treasury)

15.2 Appendix A1- A full list of planned future capital expenditure (2019/20 onwards)

15.3 Appendix A2- A list of new capital schemes and schemes planned to commence from 2019/20

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Appendix A

Investment Strategy
(Integrated Capital and Treasury Strategy)

Part 1- Overview

Introduction

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

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

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

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

Recent changes to legislation and guidance have meant that the coverage of this strategy has been extended. First of all this strategy now provides an integrated view of capital spend and income, alongside treasury management. This is because long-term Treasury management is inextricably linked to the funding of the capital programme. Secondly, there is now a requirement to apply treasury management principles to any capital spend that is not related to service provision.

The format of this strategy is as follows:

Part 2- Capital Spend

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

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

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

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

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

Part 5- Investment Strategy

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

Part 6- Overall Risk considerations

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

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

Reporting requirements

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

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

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

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

Basis of Estimates

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

The Council has experienced some cost increases on capital projects in the past. These have generally arisen from delays in the start of the project and subsequent inflation rather than incorrect estimates. Budget Holders have been asked to be as realistic as they can be about the timing of projects, and ensure that forecast costs are aligned to the expected timing. There will also be external factors that affect estimates, particularly the impacts of the United Kingdom’s withdrawal from the European Union. For capital projects, there is some flexibility to the extent to which they can overspend without further approval (ranging fro 5% to 20% dependant on value) and this is considered in setting this overall strategy and in the quarterly monitoring.

Treasury Management Policy and Treasury Management Practices

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

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

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

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

Treasury Consultant

The Council has contracted with Link Asset Services to provide treasury management advice during 2018/19. It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure that undue reliance is not placed upon Link. However there is value in employing external providers of treasury management services in order to acquire

access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.
The Council will be carrying out a re-procurement of this contract during 2018/19. . The performance of the treasury consultant is assessed through regular meetings and the justifications for the advice provided.

Skills and culture

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

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	Required to formally adopt this Strategy. Required to approve any capital purchase over £2.5m.	Annual training that provides an introduction to Local Authority funding and accounting. Training session provided by Link (the Council's treasury advisors) on risk and how it can be assessed, particularly in relation to capital investment.
Finance, Audit and Risk Committee	To review the Council's policies on Treasury, Capital and the Medium Term Financial Strategy. To monitor the effective development and operation of risk management.	Members of the Committee (and substitutes) are encouraged to complete a skills self-assessment. This allows the targeting of specific training. Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.
Chief Finance Officer and Finance Team	Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management. Responsible for reviewing and amending the financial implications sections of reports.	Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.
Senior Management Team (SMT)	Individual Service Directors will be responsible for putting forward proposals. Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process. Members of SMT are likely to be involved in negotiating commercial deals.	Training session on risk, risk appetite and assessing risk. Regular updates on the Council's funding and finances, including significant changes in regulations. Training on the core principles of the prudential framework.

Part 2- Capital Spend

Current Capital Assets

As at 31[s] March 2018, a summary of the capital assets owned by the Council is shown in table 2 below..

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	17,710
Surplus Land and buildings	Various	Held for future sale or development	6,738
Offices and Storage	DCO	Staff offices, customer service centre and democratic facilities	5,547
Offices and Storage	Unit 3	Off-site storage, back-up IT and emergency planning	438
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	7,711
Leisure Facilities	Letchworth Outdoor Pool	Service use	2,617
Leisure Facilities	North Herts Leisure Centre	Service use	12,942
Leisure Facilities	Royston Leisure Centre	Service use	7,847
Leisure Facilities	Pavilions	Service use	2,001
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Service use	6,117
Community Centres and Halls	Various	Community facilities, generally operated by third parties	11,775
Markets	Hitchin Market	To provide a market	137
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	11,136
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,465
Cemeteries	Various	Service use	1,479
Community Safety	Various CCTV cameras	Service use	62
IT	Various computer equipment and software	To enable the delivery of other services	376
Parking	Various car parks	Service use	9,448
Waste Collection	Bins	Service use	696
Public Conveniences	Various	Subject to leases/ management arrangements	610
Other	Various	Various	365
Total			**107,217**

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
Offices and Storage	Unit 3	To provide additional storage through installation of a mezzanine floor	50
Investment Properties	Residential Housing	To generate rental income/ capital appreciation, including conversion of Harkness Court	500
IT	Various computer equipment and software	To maintain IT service and provision of equipment in the Council Chamber	287
Various	Various	Capital maintenance of Council buildings	108
Cemeteries	Wilbury Hills Cemetery, Letchworth	Construction of pathway and roadway	35
Leisure Facilities	Hitchin Swim Centre / Archers	New lift in the Swim Centre. Refurbishment of toilets and showers at outdoor pool. New fitness equipment.	222
Leisure Facilities	Letchworth Outdoor Pool	Refurbishment of toilets and showers at outdoor pool. New safety flooring.	175
Leisure Facilities	North Herts Leisure Centre	Completion of redevelopment works.	172
Leisure Facilities	Royston Leisure Centre	New fitness equipment	13
Leisure Facilities	Pavilions	Decommissioning of pavilions, using Capital Receipts direction	120
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Decommissioning of play areas, using Capital Receipts direction. Refurbishment of other retained play areas.	306
Museums and Arts	Hitchin Town Hall and District Museum	Acquisition of 14/15 Brand Street and other works.	656
Waste Collection	Vehicles	Capitalisation of vehicles related to the new contract	3,600
Waste Collection	Food waste bins	To enable the introduction of weekly food waste collection	132
Parking	Multi-storey car parks	Lighting at Letchworth Multi-storey, wall works at Lairage Car Park, Hitchin.	27
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS).	448
Grants	Various	Disabled Facilities Grants and private sector housing grants (REFCUS)	360
Total			**7,211**

Capitalisation Policy:

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

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

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£14.9m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Churchgate Shopping Centre, Hitchin- ground lease (value £1.6m)	A long lease with upward only rent reviews.	On the basis that it generates a reasonable rental stream, likely to be some interest as an investment. Therefore low to medium liquidity.	Valuations are based on the yield generated.
Letchworth Town Hall (value £0.5m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Bungalow, Gernon Road, Letchworth (value £0.4m)	Not currently let as a residential premises and the Council does not want to create a Housing Revenue Account.	Medium liquidity as part of potential land sale.	None currently
Beverley Close Store, Royston (value £0.1m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court)	The demand for housing is considered to be greater than an office building. Therefore the expenditure on a conversion scheme is expected to increase the security of the asset.	The asset will be more liquid with the benefit of planning permission and building regulation approval.	Not currently generating any income. The conversion will increase the capital value / enable generation of rental income.
Other assets valued at less than £0.1m (£0.2m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

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

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

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

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

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£14.9m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Churchgate Shopping Centre, Hitchin- ground lease (value £1.6m)	Valued on a fair value basis. The valuation is based on rental yields.	External valuations have been commissioned in recent years. These have highlighted the difficulties that face retail and shopping centres in particular. However, the freehold that the Council has is on beneficial terms, and as a result there is a market due to investment returns. Maintenance is the responsibility of the leaseholder. Valuation reports have been checked and challenged by the Council’s chartered surveyors.
Letchworth Town Hall (value £0.5m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall there currently an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.
Beverley Close Store, Royston (value £0.1m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Bungalow, Gernon Road, Letchworth (value £0.4m)	Valued on a fair value basis, reflecting residential property prices	As a residential property, demand remains relatively good. It is competing against other residential properties on the market. There is a risk of a general down-turn in residential property prices. As part of a wider development, there is currently one party that is interested in a purchase. The needs of that party currently match the use of this site, and it is expected that this will remain the case up to the point of sale. Any valuation on this basis is subject to planning. Alternative plan would be to retain the property and let through a Council owned company, which would then generate a revenue income.
Other assets valued at less than £0.1m (£0.2m in total)	Not fully assessed	Not fully assessed

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

Use of Capital Receipts Direction:

The Capital Receipts direction has been used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2019/20 – 2023/24.

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2028/29
Existing Capital Programme-schemes 2019/20 onwards							
Various	Capital maintenance based on condition surveys	255	255	255	0	0	*500*
Lairage Multi-storey car park	Structural wall repairs	120	0	0	0	0	*0*
Computer Software & Equipment	To maintain IT services	702	119	64	450	0	*1,695*
Play equipment at Holroyd Cres (Baldock), King George V (Hitchin), Wilbury (Letchworth) and Howard Park (Letchworth)	Replacement and renovation	85	85	0	0	0	*0*
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	*300*
New Capital Programme							
Hitchin Town Hall	Acoustic panelling	30	0	0	0	0	*0*
Hitchin Town Hall	Sprung floor replacement	75	0	0	0	0	*0*
Hitchin and Letchworth Outdoor Pools	Automatic Chemical Dosing Pumps	20	0	0	0	0	*0*
Various Leisure Facilities	Condition Survey enhancements	64	23	0	39	140	*0*
Various car parks	General capital maintenance	0	0	0	0	0	*200*
Reprogramming (as at Quarter 2)							
Various	Growth Fund Projects	713	0	0	0	0	*0*
Letchworth Multi-storey car park	Parapet walls, soffit & decoration	138	0	0	0	0	*0*
Various off-street car parks	Resurfacing	91	0	0	0	0	*0*
Lairage Multi-storey car park	Lifts refurbishment and safety improvements	399	0	0	0	0	*0*
St Mary's Car Park	Replace and enhance lighting	60	0	0	0	0	*0*
Walsworth Common	Pitch improvements	100	0	0	0	0	*0*
Total		**2,912**	**542**	**379**	**549**	**200**	***2,695***

The totals for 2024/25 to 2028/29 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £185k per year for this purpose. In previous years this has been sufficient. Works will be carried out as required.

New Capital Assets

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

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2028/29
Existing Capital Programme-schemes 2019/20 onwards							
Residential Property	Provide Housing at Market Rents (also see below)	150	0	0	0	0	*0*
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	0	0	0	1,000	*0*
Walsworth Common Pavilion	New pavilion	0	300	0	0	0	*0*
Community Centres and Halls (various)	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS) (see below)	250	120	0	0	0	*0*
New Capital Programme							
Hitchin Town Hall	Additional Bar facility	15	0	0	0	0	*0*
Reprogramming (as at Quarter 2)							
Hitchin Swim Centre	Car park extension	498	0	0	0	0	*0*
Community Centres and Halls (various)	Grants for refurbishment of community facilities (REFCUS)	292	0	0	0	0	*0*
John Barker Place	Contribution to redevelopment	1,096	0	0	0	0	*0*
Parking	On-street charging machines/ installations	285	0	0	0	0	*0*
Various	S106 projects	129	0	0	0	0	*0*
Baldock Town Hall	Contribution to works	66	0	0	0	0	*0*
Residential Property	Provide Housing at Market Rents (also see below)	2,350	0	0	0	0	*0*
Bancroft, Hitchin	Multi-Use Games Area	170	0	0	0	0	*0*
Total		**5,301**	**420**	**0**	**0**	**1,000**	***0***

Below is an estimate of the total capital expenditure to be incurred in the years 2019/20 to 2023/24. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2019/20 to 2023/24

Year	£m
2019/20	8.213
2020/21	0.962
2021/22	0.379
2022/23	0.549
2023/24	1.200

A full list of planned future capital expenditure (2019/20 onwards) is provided as Appendix A1. A list of new capital schemes and schemes planned to commence from 2019/20 is provided in Appendix A2.

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

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Residential Property	The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. Individual market factors will be considered prior to acquisition. It is likely that the property will be held through a company. The Council's interest will therefore be secured via a loan or equity holding. Any loan can be secured against property. Any equity interest does not offer the same security, but it may be required due to HMRC rules on the funding of companies.	Property is a medium to long-term asset due to the costs of buying and selling. However it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.	The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.

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

Table 9

Asset (or type of asset)	Assessment of the risk of loss
Residential Property	This will be fully assessed as part of the business case for the acquisition of any properties.

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

Capital Funding

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

Table 10

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2028/29
Forecast Receipts (£000)	4,950	3,000	2,250	0	0	Tbc

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

As a result of planned expenditure in 2018/19 and future years, the Council forecasts the following use of funding for capital (table 11).

Table 11

Funding Source	Brought forward (at 31/3/18)	Forecast expenditure and funding sources (£000)						
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2028/29
Capital Expenditure		7,211	8,213	962	379	549	1,200	2,695
Less: Set-aside receipts used	10,252	5,920	4,332	0	0	0	0	0
Less: Capital receipts used	3,090	572	2,507	675	379	549	1,200	2,395
Less: Grant funding used		300	763	0	0	0	0	300
Less: S106 receipts used		146	468	37	0	0	0	0
Less: Funding from revenue		0	0	0	0	0	0	0
Less: Other Capital Contributions		273	143	250	0	0	0	0
Borrowing requirement		**0**	**0**	**0**	**0**	**0**	**0**	**0**

Definitions:

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

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

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

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31st March 2018 (actual)	-10.3
As at 31st March 2019 (forecast)	-4.4
As at 31st March 2020 (forecast)	0
As at 31st March 2021 (forecast)	0
As at 31st March 2022 (forecast)	0
As at 31st March 2023 (forecast)	0
As at 31st March 2024 (forecast)	0

Based on the totals in tables 10 and 11, the Council is forecasting remaining capital receipts of up to £5m as at the end of the period up to 2028/29. However this is dependent on future capital requirements (particularly beyond 2023/24), the generation of capital receipts and future schemes for investment of capital to generate income.

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

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

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

Borrowing strategy

Definitions:

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

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

Based on Prudential Indicator 2 (page 16) the Council has a Capital Financing Requirement of zero and therefore does not have a need to borrow.

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

Table 12

Revenue balance	**Brought forward (at 31/3/18)**	**Forecast balance at year end**						
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25 to 2028/29**
General Fund[1]	7,403	7,055	7,055	6,664	6,408	6,469	6,469	6,469
Add back MRP	0	0	0	0	0	0	0	0
Revenue Reserves[2]	5,679	7,077	7,577	8,077	8,577	9,077	9,577	6,577
S106 balances	2,951	2,805	2,337	2,300	2,300	2,300	2,300	2,300
Provisions	1,252	1,252	1,252	1,252	1,252	1,252	1,252	1,252
Outstanding Debt	456	440	423	405	387	368	347	267
Total	**17,741**	**18,629**	**18,644**	**18,701**	**18,924**	**19,466**	**19,945**	**16,865**

1 Based on General Fund forecasts as per 'Revenue Budget 2019/20' report up to 2022/23, then assumed that net expenditure and funding will match.
2 Revenue Reserve balance as at 31/3/19 as per 'Revenue Budget 2019/20' report. Then increases in line with contributions to waste vehicle reserve at £500k per year for 7 years. At end of 7 years assumed that this funding will be used to fund new waste vehicles.

MRP is added back as it is not an outflow of cash and can be used for internal borrowing. The cash outflow happens when the borrowing is repaid.

As well as the availability of revenue funding, the Council would also need to consider the advantages and disadvantages of external borrowing. Interest rates are still at very low levels and are only expected to go up, which will increase the cost of external borrowing in the future. It may also be possible to generate higher returns from investing revenue reserves than the interest costs that would be saved. However this has to be balanced against the certainty of interest costs that will be incurred as soon as borrowing is taken out. There is also a need for the Council to retain a certain buffer of revenue reserves as cash to manage the peaks and troughs in its cash balances. Whilst the Council can borrow for short-term cash-flow needs, this can become expensive. Whatever strategy is adopted, it should be prudent.

As the Council has no borrowing requirement, table 13 below just shows no new borrowing.

Table 13

	Brought forward (at 31/3/18)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/29)
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2028/29	
Total borrowing requirement	456	0	0	0	0	0	0	0	0
Made up of:									
Internal borrowing	0	0	0	0	0	0	0	0	0
External borrowing	456	0	0	0	0	0	0	0	265

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

Definitions:

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

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

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities[1] £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31st March 2018 (actual)	0.456	0.131	0.587	Set by previous strategy	
As at 31st March 2019 (forecast)	0.440	2.628	3.068	4.1	10
As at 31st March 2020 (forecast)	0.423	2.125	2.548	3.6	9
As at 31st March 2021 (forecast)	0.405	1.622	2.027	3.1	9
As at 31st March 2022 (forecast)	0.387	1.119	1.506	2.6	8
As at 31st March 2023 (forecast)	0.367	0.616	0.983	2.0	7
As at 31st March 2024 (forecast)	0.347	0.113	0.460	1.5	7

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

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

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/19 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	08/01/49	80	Oct 2025	5,346	1,138	3.125	34
	16/09/49	80	Jul 2029	380	50	3.0	1
	10/05/46	80	Jan 2026	10,150	2,065	3.125	62
	12/11/48	80	Jul 2028	13,885	3,769	3.0	110
	23/09/60	60	Jul 2020	4,570	406	6.125	21
	18/08/61	60	Jul 2021	13,817	2,218	7.0	141
	28/07/64	60	Jul 2024	15,801	4,516	6.0	260
	02/03/65	60	Jan 2025	19,558	6,013	6.0	348
	01/10/65	60	Jul 2025	33,976	11,161	6.0	648
	05/07/66	60	Jan 2026	35,000	12,212	6.0	711
	02/08/66	60	Jul 2026	50,000	18,437	6.0	1,076
	18/03/68	60	Jan 2028	40,000	19,407	7.375	1,403
	03/01/69	60	Jul 2028	53,027	28,381	8.125	2,265
	06/03/70	60	Jan 2030	20,100	12,334	8.75	1,064
	24/11/70	60	Jul 2030	18,714	12,325	9.5	1,156
	26/01/71	60	Jan 2031	25,000	17,076	9.75	1,646
	05/03/71	60	Jan 2031	12,500	8,309	9.25	760
	05/03/71	60	Jan 2031	25,0000	16,623	9.25	1,520
	31/05/46	80	Jan 2026	9,570	2,038	3.125	62
	28/02/47	80	Jan 2027	5,832	1,219	2.5	30
	18/10/46	80	Jul 2026	1,527	301	2.5	7
	20/02/48	80	Jan 2028	14,952	3,873	3.0	113
	22/09/50	80	Jul 2030	654	209	3.0	6
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	300	3.125	9
	16/09/49	80	Sep 2029	640	190	3.0	6
	20/03/53	80	Mar 2033	1,020	464	4.125	19
	23/10/53	80	Sep 2033	750	335	4.0	13
	20/11/53	80	Sep 2033	420	191	4.0	8
	25/04/52	80	Mar 2032	480	209	4.25	9
	30/01/48	80	Sep 2027	1,560	385	3.0	11
	29/06/40	80	Mar 2020	715	29	4.0	1
	20/09/45	80	Sep 2025	16,690	3,536	3.125	111
Total					**439,717**		

Definitions:

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

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

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

Maturity period	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	50
2 years to 5 years	0	60
5 years to 10 years	0	70
10 years to 20 years	0	80
20 years and above	0	100

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

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

Definitions:

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

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

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2019/20	1.5	1.5	0.5
2020/21	1.5	1.5	0.5
2021/22	1.4	1.4	0.5
2022/23	1.4	1.4	0.5
2023/24	1.4	1.4	0.5
2023/24	1	1	0.3

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

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2019/20	20.710	1.089	0	0
2020/21	20.710	1.139	0	0
2021/22	20.710	1.189	0	0
2022/23	20.710	1.189	0	0
2023/24	20.710	1.189	0	0

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

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The only instance where this could apply is the purchase of housing for renting at market rates. However this has been in the capital programme for a few years and is funded from capital receipts, so is not subject to this restriction.

If the Council did want to use borrowing to fund capital investment for a profit, then this can be done if it is fully explained as part of this capital strategy.

<u>Minimum Revenue Provision</u>

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

Minimum Revenue Provision:

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

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

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

Or

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

The Council does not have a need to borrow, so therefore does not currently need to apply a Minimum Revenue Provision (MRP).

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

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2019/20 to 2023/24

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2019/20	0.042	15.136	0.28
2020/21	0.041	14.808	0.28
2021/22	0.040	14.911	0.27
2022/23	0.039	15.021	0.26
2023/24	0.037	15.021	0.25

Part 5- Investment Strategy

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

Table 15

Balances	**Brought forward (at 31/3/18)**	**Forecast balance at year end (£000)**					
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Revenue balances (including MRP added back)	17,741	18,629	18,644	18,701	18,924	19,466	19,945
Capital Receipts	3,090	2,627	5,070	7,395	9,266	8,717	7,517
Capital Grants Unapplied	954	954	954	954	954	954	954
Add: Long-term liabilities[1]	131	2,628	2,125	1,622	1,119	616	113
Less: Capital Financing Requirement	-10,315	-4,935	-63	-63	-63	-63	-63
Add: External Borrowing taken out	0	0	0	0	0	0	0
Less: Borrowing repayments	25	16	17	18	18	19	21
Total forecast of available for investment	**32,206**	**29,757**	**26,839**	**28,717**	**30,308**	**29,797**	**28,571**

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

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

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

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

Table 16

Loan	Amount (£000)	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	107	To support the formation of the company. The Council is also a shareholder in the company, owning 1/7th of the shares.	Insignificant in the context of overall cash balances. Around 0.3% of total investments.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Tbc, up to £3m	To provide the company with finances to purchase and develop property assets. These properties will then be let or sold to generate income and profit.	Based on investment limits in table 17 below, it could be the equivalent of one investment in a bank or building society.	Any loan would be secured against the property assets of the company. Expected credit loss would be looked at in more detail in advance of any loans being granted, and linked to the planned use of those funds.

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

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

- UK Local Authorities- as they are able to raise additional funds from taxation
- UK Government- Debt Management Office provides highly liquid investments at the lowest risk as backed by the UK Government
- UK Banks and Building Societies with a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater- as they have been subject to UK 'stress tests' and also have a high credit rating
- Part-nationalised UK banks- as they have been subject to UK 'stress tests' and the UK government has an increased interest in not allowing them to fail.
- The Council's own banker (Lloyds) that it uses for transactional purposes. Although if its credit rating falls below BBB then any balances will be kept to a minimum (i.e. for cashflow purposes only)
- Non-UK banks with a UK subsidiary that have a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater, and are subject to the same stress tests as UK banks
- Non-UK banks where the Country has a AAA rating and the institution has a AA-and above rating.
- Unrated UK Building Societies- as organisations have to pay to obtain a rating; most Building Societies do not get one. They do produce annual reports known as Pillar 3 reports, and these will be used to assess their credit worthiness. Furthermore the Council will only invest in Building Societies that have assets of at least £300m, which limits the potential exposure.
- Money Market funds that are AAA rated.
- Property funds that hold property within the UK.

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds, but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected balance at the end of the year (2019/20) and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. The limits are shown in table 17 below.

Table 17

<table>
<tr><th>Investment Type</th><th>Maximum amount in that type of investment (£m)</th><th>Maximum amount in group (£m)</th><th>Maximum amount with any individual counterparty (£m)</th><th>Rationale and details</th></tr>
<tr><td>Debt Management Office (UK Government)</td><td colspan="3">No limit</td><td>Short-term investment with UK Government that is therefore the lowest possible risk</td></tr>
<tr><td>UK Local Authorities</td><td>No limit</td><td>n/a</td><td>3</td><td>10% with any one counterparty, no limit on total with Local Authorities due to tax raising powers</td></tr>
<tr><td>UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit</td><td rowspan="3">22</td><td>5</td><td>3</td><td>Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 75% with banks in total</td></tr>
<tr><td>Lloyds Current Account</td><td>n/a</td><td>5</td><td>Used for cashflow purposes</td></tr>
<tr><td>Non-UK banks- includes deposits and Certificates of deposit</td><td>8</td><td>3</td><td>AAA Country rating and AA-and above institution rating. Maximum of 10% with any one counterparty. Maximum of 25% in non-UK banks. 75% in banks in total.</td></tr>
<tr><td>UK Building Societies- assets of £300m to £1bn</td><td rowspan="3">n/a</td><td rowspan="4">18</td><td>2</td><td>Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £2m. Maximum of 60% with UK Building Societies and Property Funds combined.</td></tr>
<tr><td>UK Building Societies- assets of over £1bn</td><td>3</td><td>As above, but £3million</td></tr>
<tr><td>Rated UK Building Societies</td><td>3</td><td>Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.</td></tr>
<tr><td>UK Property Funds</td><td>8</td><td>8</td><td>25% in any one fund or combination of funds. Maximum of 60% in Property Funds and Building Societies combined. No durational limits.</td></tr>
<tr><td>Money Market Funds</td><td>8</td><td>n/a</td><td>3</td><td>AAA rated. Maximum of 25% in MMFs and 10% with any one fund.</td></tr>
</table>

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater then 1 year (365 days). This limit is based on 40% of total investments, but is again reflected as an absolute value of **£12m**, which is based on 40% of the expected level of investments at the end of the year.

Investments with a set term of greater than 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 40% of the estimated balance. No investment term will exceed 5 years.

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

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

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

The Council maintains a treasury risk on its risk register.

There is some link between the interest rates that the Council can expect to achieve on its investments and the Bank of England base rate. Our treasury advisors (Link) have provided the following forecasts of base rates over the next 5 years. Using this and the investment limits above, we have estimated an average interest rate that the Council will achieve on its investments in each year.

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2018/19	0.75	
2019/20	1.25	1.20
2020/21	2.00	1.50
2021/22	2.00	1.75
2022/23	2.00	1.75
2023/24	2.25	2.00

Combining these average interest rates with expected balances, gives a forecast of the interest that will be earned in each year.

Table 19

	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast of average balance available for investment (£m)	28.3	27.8	29.5	30.05	29.2
Forecast of average interest earned on investments (%)	1.2	1.5	1.75	1.75	2.0
Forecast of interest earned (£m)*	0.340	0.417	0.516	0.526	0.584
Current interest assumed in the revenue budget.	0.300	0.167	0.167	0.167	0.167

*Due to current economic uncertainty Interest estimates in the revenue budget are lower than those forecast from multiplying the average balance by forecast interest rates. These will be reassessed each year.

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

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

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2019/20	0.042	0.340	-0.298	15.136	-1.969
2020/21	0.041	0.417	-0.376	14.808	-2.539
2021/22	0.040	0.516	-0.476	14.911	-3.192
2022/23	0.039	0.526	-0.487	15.021	-3.242
2023/24	0.037	0.584	-0.547	15.021	-3.642

Part 6- Overall Risk Considerations

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

The Council's investments assets generally comprise of ground leases on commercial properties that are all within North Hertfordshire. The main exception to this is the freehold of the Churchgate Shopping Centre in Hitchin. A property fund generally invests in building (and land) assets that provide higher yields, and also diversifies across the United Kingdom. They also currently tend to focus on industrial, warehouses and office buildings. This means that there is limited cross-over in risk exposure, and before investing in a property fund (current investments are zero) the Council would review the current investments of the selected fund. Furthermore this strategy limits any investment in a property fund to a maximum of £8m.

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

Part 7- Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Capital Programme

Priority	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 - 28/29 Estimate £
Advances & Cash Incentives							
John Barker Place, Hitchin	0	1,096,000	0	0	0	0	0
Advances & Cash Incentives Total	**0**	**1,096,000**	**0**	**0**	**0**	**0**	**0**
Asset Management							
Storage Facilities	50,000	0	0	0	0	0	0
Provide housing at market rents.	500,000	2,500,000	0	0	0	0	0
Council property improvements following condition surveys	100,000	255,000	255,000	255,000	0	0	500,000
Energy efficiency measures	8,500	0	0	0	0	0	0
Asset Management Total	**658,500**	**2,755,000**	**255,000**	**255,000**	**0**	**0**	**500,000**
Community Services							
Baldock Town Hall project	9,000	66,300	0	0	0	0	0
Refurbishment and improvement of community facilities	378,500	542,100	120,000	0	0	0	0
S106 Projects	60,000	128,800	0	0	0	0	0
Community Services Total	**447,500**	**737,200**	**120,000**	**0**	**0**	**0**	**0**
Computer Software and Equipment							
40 KVA UPS Device or Battery Replacement	0	7,000	0	0	0	0	30,000
Additional PC's - Support Home Working/OAP	0	13,000	0	0	0	0	90,000
Additional Storage	12,000	13,000	0	0	0	0	28,000
Alternative to safeword tokens for staff/members working remotely	0	8,000	0	0	0	0	0
Back-up Diesel 40 KVA Generator (DCO)	0	20,000	0	0	0	0	72,500
Back-up Storage	0	0	0	0	0	0	42,000
Cabinet Switches - 4 Floors	0	0	0	18,000	0	0	0
Cadcorp Local Knowledge & Notice Board Software	13,500	0	0	0	0	0	0
Channel shift - processing of housing register applications	40,000	0	0	0	0	0	0
Core Backbone Switch	0	20,000	0	0	0	0	60,000
Customer Self Serve Module	3,000	0	0	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution	30,000	0	0	0	0	0	0
Data Switch Upgrade	0	0	0	0	0	0	20,000
Dell Servers	0	65,000	0	0	0	0	75,000
DR Set-up	47,400	25,000	0	0	0	0	0
DR Hardware Refresh Inc UPS Battery Pk	0	0	0	0	0	0	60,000
EA Agreement (MS EA) TN agreed funded within 4571 Account	0	358,000	0	0	450,000	0	710,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	0	0	39,000	0	0	0	0
Email Encryption Software Solution	0	0	45,000	0	0	0	0
IT	0	0	0	0	0	0	0
Laptops - Refresh Programme	6,000	0	6,000	0	0	0	15,500
New Blade Enclosure	0	32,000	0	0	0	0	52,000
PC's - Refresh Programme	14,000	17,000	17,000	17,000	0	0	130,000
Recording of Council Meetings	80,800	0	0	0	0	0	0
Replacement SAN	0	110,000	0	0	0	0	120,000
Security - Firewalls	14,000	0	0	14,000	0	0	51,000
Security - Tokens, Encryption	0	0	0	0	0	0	50,000
Software for personalised bills and annual billing.	6,000	0	0	0	0	0	0
Tablets - Android Devices	10,000	14,000	12,000	15,000	0	0	89,000
Telephony system	10,600	0	0	0	0	0	0
Computer Software and Equipment Total	**287,300**	**702,000**	**119,000**	**64,000**	**450,000**	**0**	**1,695,000**
Growth Fund Projects							
Cycle Strategy implementation (GAF)	0	278,000	0	0	0	0	0
Green Infrastructure implementation (GAF)	0	185,000	0	0	0	0	0
Transport Plans implementation (GAF)	0	250,000	0	0	0	0	0
Growth Fund Projects Total	**0**	**713,000**	**0**	**0**	**0**	**0**	**0**
Leisure Facilities							
Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth	35,000	0	0	0	0	0	0
Hitchin Outdoor Pool Showers and Toilets	101,200	0	0	0	0	0	0
Hitchin Swimming Centre Lift	84,300	0	0	0	0	0	0
Hitchin Swimming Pool Car Park extension	0	497,700	0	0	0	0	0
Relay concrete slabs that surround the Hitchin outdoor pool.	1,500	0	0	0	0	0	0
Letchworth Outdoor Pool safety surface	56,500	0	0	0	0	0	0
Letchworth Outdoor Pool Showers and Toilets	97,000	0	0	0	0	0	0
North Herts Leisure Centre Development	171,700	0	0	0	0	0	0
Decommissioning of Pavilions	120,000	0	0	0	0	0	0
Walsworth Common Pavilion - contribution to scheme	0	0	300,000	0	0	0	0
Bancroft Gardens Play Area	5,600	0	0	0	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	0	170,000	0	0	0	0	0
Decommissioning of Play Areas	130,000	0	0	0	0	0	0
Norton Common Wheeled Sports improvements	26,900	0	0	0	0	0	0
Renew pathways at Bancroft Recreation Ground, Hitchin	23,100	0	0	0	0	0	0
Renovate play area Howard Park, Letchworth	0	0	75,000	0	0	0	0
Renovate play area King George V Recreation Ground, Hitchin	0	75,000	0	0	0	0	0
Renovate play area, District Park, Gt. Ashby	75,000	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	0	0	10,000	0	0	0	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	0	10,000	0	0	0	0	0

Priority	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 - 28/29 Estimate £
Replace items of play equipment, Chiltern Road, Baldock	10,000	0	0	0	0	0	0
Replacement of Walsworth Common Access Bridge	3,000	0	0	0	0	0	0
Walsworth Common Pitch Improvements	2,700	100,300	0	0	0	0	0
Walsworth Common Reconstruction of Car Park	30,000	0	0	0	0	0	0
Royston Leisure Centre extension	0	0	0	0	0	1,000,000	0
Hitchin & Royston Fitness Equipment	26,700	0	0	0	0	0	0
Hitchin & Letchworth Outdoor Pool Automatic Chemical Dosing Pumps	0	20,000	0	0	0	0	0
Ultra Violet water disinfection system	42,900	0	0	0	0	0	0
Leisure Condition Survey Enhancements	0	64,000	23,000	0	39,000	140,000	0
Leisure Facilities Total	**1,043,100**	**937,000**	**408,000**	**0**	**39,000**	**1,140,000**	**0**
Museum & Arts							
Hitchin Town Hall Acoustic Panelling	0	30,000	0	0	0	0	0
Hitchin Town Hall Additional Bar Facility	0	15,000	0	0	0	0	0
Hitchin Town Hall Sprung Floor Replacement	0	75,000	0	0	0	0	0
NH Museum & Community Facility	105,900	0	0	0	0	0	0
Purchase of 14 & 15 Brand Street	550,000	0	0	0	0	0	0
Museum & Arts Total	**655,900**	**120,000**	**0**	**0**	**0**	**0**	**0**
Parking							
Hitchin Multi Storey Safety and Equalities Act improvements	0	39,300	0	0	0	0	0
Installation of trial on-street charging (GAF)	0	50,000	0	0	0	0	0
Lairage Multi-Storey Car Par - Structural wall repairs	4,000	120,000	0	0	0	0	0
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	0	137,600	0	0	0	0	0
Letchworth multi-storey car park - lighting	22,700	0	0	0	0	0	0
Off Street Car Parks resurfacing and enhancement	0	91,200	0	0	0	0	0
Parking	0	0	0	0	0	0	200,000
Refurbishment of lifts at Lairage Car Park	0	360,000	0	0	0	0	0
Replace and enhance lighting at St Mary's Car Park	0	60,000	0	0	0	0	0
Town Centre pay & display machines for on-street charging	0	235,000	0	0	0	0	0
Parking Total	**26,700**	**1,093,100**	**0**	**0**	**0**	**0**	**200,000**
Renovation & Reinstatement Grant Expenditure							
Mandatory Disabled Facility Grants	300,000	0	0	0	0	0	0
Private Sector Grants	60,000	60,000	60,000	60,000	60,000	60,000	300,000
Renovation & Reinstatement Grant Expenditure Total	**360,000**	**60,000**	**60,000**	**60,000**	**60,000**	**60,000**	**300,000**
Waste collection							
Food Waste Caddies	132,000	0	0	0	0	0	0
Waste and Street Cleansing Vehicles	3,600,000	0	0	0	0	0	0
Waste collection Total	**3,732,000**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total	**7,211,000**	**8,213,300**	**962,000**	**379,000**	**549,000**	**1,200,000**	**2,695,000**

Ref No	Service	Responsible Service Director	Description of Proposal	Corporate Priority	Total Project Investment 2019/20 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
Projects and / or values highlighted in yellow indicate new proposals or proposed revision(s) to existing proposals. Revision to existing proposals are clarified in the accompanying commentary.													
Invest To Save Proposals													
ECP3	Estates	Service Director - Resources	Provide housing at market rents.	Prosper & Protect	2,500	-	2,500	0	0	0	0	*tbc*	This project follows on from the revenue investment proposal that explores the feasibility. This is an "invest to earn" proposal to utilise NHDC capital and land to generate revenue income. Under this scheme, the land and properties would remain in NHDC ownership. Phase 1 (as dealt with by the revenue investment bid): form investment mechanism to own houses built for market rent. Phase 2: identify appropriate partnership model to achieve build and/or purchase. Phase 3: contract with a property management company. Phase 4: acquire/build properties. Phase 5 (beyond scope of this bid): identify other sites where this model could be applied. Planned investment in 2018/19 of £2.850million.
Sub-Total: Invest to Save:					2,500	-	2,500	-	-	-	-	-	
Other Asset Management													
ECP4	Property Services	Service Director - Resources	Council property improvements following condition surveys	Attractive & Thriving	765	-	255	255	255	0	0	*0*	Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to 29 of those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs. The level of 'backlog' maintenance is also proposed as a national performance indicator by Central Government. An amount of £150k was approved to undertake the urgent works in 2014/15, based upon surveys carried out to date. In following years a full 5 year programme will be applied, based upon completed condition surveys or the whole estate. this is complementary to the Community Halls strategy (CHS), although covers a larger number of properties than those subject to CHS, i.e., it puts in place funds to allow works to be done that may assist in progressing that strategy (e.g. full repairing/partial repair leases). UPDATE CBP 2019/20: To help ensure that this project can be delivered in the timeframe estimated within the Capital Programme, it is requested that the £775k resource, originally earmarked entirely in 2019/20, instead be allotted over the next three years with an annual capital allocation of £255k (revised total investment of £765k).
Sub-Total: Other Asset Management					765	-	255	255	255	-	-	-	
Grants to Third Parties													
ECP1	Housing Services	Service Director - Regulatory	Private Sector Grants	Responsive & Efficient	240	-	60	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 2019/20 CBP: Investment proposed to be extended to 2023/24
ECP5	Estates	Service Director - Resources	Refurbishment and improvement of community facilities	Responsive & Efficient	370	-	250	120	0	0	0	*0*	To provide a five year fund from 2016/17 towards the refurbishment and improvement of community facilities in both rural and urban areas of North Hertfordshire. £165k spend in 2017/18 and planned spend of £671k in 2018/19 means a total capital allocation of £1.206m
Sub-Total: Grants to Third Parties					610	-	310	180	60	60	60	-	

Ref No	Service	Responsible Service Director	Description of Proposal	Corporate Priority	Total Project Investment 2019/20 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
Parking Related Proposals													
ECP6	Property Services	Service Director - Resources	Lairage Multi-Storey Car Par - Structural wall repairs	Attractive & Thriving	120	-	120	0	0	0	0	*0*	Works to preserve this income generating asset in usable condition. Works necessary to protect surface following experience at Letchworth multi-storey.
Sub-Total: Parking					120	-	120	-	-	-	-	-	
Community and Cultural Related Proposals													
NCP1	Hitchin Town Hall Community Facility	Service Director - Commercialisation	Hitchin Town Hall Acoustic Panelling	Prosper & Protect	30	-	30	0	0	0	0	*0*	There has been heavy criticism in local publications over the sound quality and acoustics at Hitchin Town Hall. A sound engineer has been brought in to advise on the cost of introducing some tasteful acoustic panelling, which would allow the hall to become a much more appropriate venue for spoken word events.
NCP2	Hitchin Town Hall Community Facility	Service Director - Commercialisation	Additional Bar Facility at Hitchin Town Hall	Prosper & Protect	15	-	15	0	0	0	0	*0*	Hitchin Town Hall can host up to 350 people in its main hall. The bar area however is very small and only has two fridges. Service can therefore be slow during busy events, with the lack of fridge space meaning drinks are often not chilled due to the high rate of turnover. Whilst the turnover of stock in the fridges is high, this is only in the context of the fridge space available. It is highly likely that a faster service and more adequate chilling of the products should result in higher sales. If the Council invested in a second bar on the other side of the hall, additional till systems and more fridge space, there is every likelihood that a higher return could be achieved. Although two bars will require more staff, it is expected that any increased outlay on staff would be offset by the return of higher income at the bars. If we wish to position the venue as a go-to live entertainment venue then this sort of investment is necessary.
NCP3	Hitchin Town Hall Community Facility	Service Director - Commercialisation	Hitchin Town Hall Sprung Floor Replacement	Prosper & Protect	75	-	75	0	0	0	0	*0*	It has been reported to the Council that the Sprung Floor in the Mountford Hall at Hitchin Town Hall is coming to the end of its life. The sprung floor is one of very few in the local area and is a selling point of the Town Hall (which is grade ii listed). In the meantime, we can attempt to prolong the life of the flooring through replacing boards as and when they are damaged and through regular waxing we can create a protective layer. However this will incur increased operational expenses and it is not clear how long this will extend the life of the floor for. Additional investigations are hoped to be carried out this financial year to gain a clearer understanding of the remaining lifespan for the current floor boards.
Sub-Total: Community and Cultural					120	-	120	-	-	-	-	-	
Leisure Related Proposals													
NCP4	Leisure Facilities	Service Director - Place	Hitchin and Letchworth Outdoor Pool Automatic Chemical Dosing Pumps	Attractive & Thriving	20	-	20	0	0	0	0	*0*	Introducing the automatic dosing system at the outdoor pools will ensure the same pool water control mechanisms as in operation at the indoor swimming pools.
NCP5	Leisure Facilities	Service Director - Place	Leisure Condition Survey Enhancements	Attractive & Thriving	126	-	64	23	0	39	140	*0*	A physical condition survey has been carried out at all four leisure facilities. The survey identified all works that are needed and/ or will become necessary over the next five financial years.

Ref No	Service	Responsible Service Director	Description of Proposal	Corporate Priority	Total Project Investment 2019/20 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
ECP29	Leisure Facilities	Service Director - Place	Royston Leisure Centre extension	Attractive & Thriving	-	-	0	0	0	0	1,000	*0*	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council. UPDATE 2019/20 CBP: Proposed to earmark this investment in 2023/24.
Sub-Total: Leisure					146	-	84	23	-	39	1,140	-	
Green Space Strategy - Baldock													
ECP22	Parks & Countryside Development	Service Director - Place	Replace items of play equipment Holroyd Cres, Baldock	Responsive & Efficient	10	-	0	10	0	0	0	*0*	Listed as a project for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. Holroyd Cres is a large play area serving a large housing development. Some items of equipment have been identified as nearing end of life and in need of replacement.
Sub-Total: Green Space Strategy - Baldock:					10	-	-	10	-	-	-	-	
Green Space Strategy - Hitchin													
ECP14	Parks & Countryside Development	Service Director - Place	Renovate play area King George V Recreation Ground, Hitchin	Responsive & Efficient	75	-	75	0	0	0	0	*0*	Listed as a project for 2019/20 in the Council's adopted Green Space Management Strategy 2017 - 2021. The play area King George V Recreation Ground is one of the main neighbourhood play areas in Hitchin, serving a large housing estate. The play area is in need of refurbishment.
ECP25	Parks & Countryside Development	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	Attractive & Thriving	300	287	0	300	0	0	0	*0*	This project was originally listed as a project for 2016/17 in the Council's adopted Green Space Management Strategy 2014 - 2019. The project was slipped into 2017/18 pending the outcome of the Green Space Strategy review. Following the review, this project is now earmarked for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. The project is dependent on securing section 106 contributions and/or external grants. In the review, the pavilion was identified as being beyond economic repair.
Sub-Total: Green Space Strategy - Hitchin:					375	287	75	300	-	-	-	-	
Green Space Strategy - Letchworth													
ECP15	Parks & Countryside Development	Service Director - Place	Replace items of play equipment Wilbury Recreation Ground, Letchworth	Responsive & Efficient	10	-	10	0	0	0	0	*0*	Listed as a project for 2019/20 in the Council's adopted Green Space Management Strategy 2017 - 2021. The recreation ground has a good catchment area with a range of equipment for all ages. Some items of equipment are however nearing end of life and in need of replacement.
ECP21	Parks & Countryside Development	Service Director - Place	Renovate play area Howard Park, Letchworth	Responsive & Efficient	75	-	0	75	0	0	0	*0*	Listed as a project for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. Situated in a town centre location, the high level of usage causes wear on equipment.
Sub-Total: Green Space Strategy - Letchworth:					85	-	10	75	-	-	-	-	
IT Schemes:													
ECP20	IT	Service Director - Customers	Core Backbone Switch	Responsive & Efficient	20	-	20	0	0	0	0	*0*	Dual processor switch, which links the virtual servers to the SAN.
ECP2	IT	Service Director - Customers	PC's - Refresh Programme	Responsive & Efficient	51	-	17	17	17	0	0	*0*	PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the citrix thin client technology.

Ref No	Service	Responsible Service Director	Description of Proposal	Corporate Priority	Total Project Investment 2019/20 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
ECP9	IT	Service Director - Customers	Tablets - Android Devices	Responsive & Efficient	41	-	14	12	15	0	0	*0*	As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. UPDATE CBP 2019/20: To facilitate paperless Committee Meetings, it is requested that existing provision of £8k in each of the next three financial years be increased to £14k in 2019/20, £12K in 2020/2021 and £15K in 2021/2022.
ECP28	IT	Service Director - Customers	Security - Firewalls	Responsive & Efficient	14	-	0	0	14	0	0	*0*	Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure.
ECP27	IT	Service Director - Customers	Cabinet Switches - 4 Floors	Responsive & Efficient	18	-	0	0	18	0	0	*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.
ECP10	IT	Service Director - Customers	Dell Servers	Responsive & Efficient	65	-	65	0	0	0	0	*0*	In 2015/16 the authority upgraded the Server Estate with 10 Physical high level Dell Servers which have 179 virtual servers running within them. The hardware has a 5 year shelf life before coming unsupported.
ECP11	IT	Service Director - Customers	New Blade Enclosure	Responsive & Efficient	32	-	32	0	0	0	0	*0*	The Blades are an integral part of the Servers and go hand in hand. These formed part of the hardware refresh programme in 2015/16 and have a shelf life of 5 years.
ECP12	IT	Service Director - Customers	Replacement SAN	Responsive & Efficient	110	-	110	0	0	0	0	*0*	The Storage Area Network (SAN) is used to compliment the data storage and backups across the infrastructure estate. These are a critical element of the data infrastructure network as they also move the data traffic around the servers. The authority replaced the current SAN in 2015/16 and the life of this hardware is 5 years.
ECP13	IT	Service Director - Customers	Back-up Diesel 40 KVA Generator (DCO)	Responsive & Efficient	20	-	20	0	0	0	0	*0*	As part of Business Continuity and improving services, the authority purchased a Diesel Generator in 2015/16. The operation life of this hardware is 5 years.
ECP16	IT	Service Director - Customers	40 KVA UPS Device or Battery Replacement	Responsive & Efficient	7	-	7	0	0	0	0	*0*	The operation life of the batteries within the UPS Systems is 3 years and they need to be replaced. The authority has got 3 40 KVA UPS Systems which have varying battery sizes installed.
ECP17	IT	Service Director - Customers	Additional PC's - Support Home Working/OAP	Responsive & Efficient	13	-	13	0	0	0	0	*0*	The authority has a large PC/Monitor estate which as part of the ICT Service Plan annual requires refreshing. In recent years Microsoft stopped supporting Windows XP and we are soon to be given notice of de-support on Windows 7.
ECP26	IT	Service Director - Customers	Laptops - Refresh Programme	Responsive & Efficient	6	-	0	6	0	0	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.

Capital Investment Porposals

Appendix A2

Ref No	Service	Responsible Service Director	Description of Proposal	Corporate Priority	Total Project Investment 2019/20 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2019/20	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc)
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	*£'000*	
ECP7	IT	Service Director - Customers	Additional Storage	Responsive & Efficient	13	-	13	0	0	0	0	*0*	As part of the day to day collection and storage of data within the Information@Works (I@W) which is the Corporate Document Management solution, the amount of data that is being scanned and captured via the Doc's on-line contract provided by Northgate is increasing by the day. There has been a huge push over the past year to work towards enabling every department to have access to I@W as this compliments Home Working.
ECP8	IT	Service Director - Customers	Disaster Recovery Set-up	Responsive & Efficient	25	-	25	0	0	0	0	*0*	Back in late 2016 NHDC launched its own Disaster Recovery Data Centre and this budget is requested to ensure we keep the hardware and security up to date to ensure it is fit for purpose and secure from cyber attacks.
ECP18	IT	Service Director - Customers	Alternative to safeword tokens for staff/members working remotely	Responsive & Efficient	8	-	8	0	0	0	0	*0*	The technology has changed considerably since we first starting using the Safeword Tokens 7-8 years ago. With the changes in personal technology such as Smart/IOS Phones there are now products on the market that are PSN approved for getting Access Keys delivered for 2 Layer Authentication such as Texts or App's on Smart Phones etc. This enables Members, Staff and Support Agencies to gain access to the remote login site from anywhere with no need to have a physical hardware device to hand
ECP19	IT	Service Director - Customers	Microsoft Enterprise Agreement	Responsive & Efficient	808	-	358	0	0	450	0	*0*	NHDC entered into a 3 year Contract for the use of Microsoft Licences for which 2018/19 represents year 3 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 2019/20 : The option of extending the original 3 year contract by two years is no longer available. Microsoft are offering authorities, including NHDC, where their contract expires early next year, an early commitment price of £112k per annum in year 1 (£123k per annum in years 2 and 3), which includes all licences required to ensure there is no breach of any F.A.S.T rules. The new three year contract will still start from 1st April 2019. It is therefore requested that the capital provision in 2019/20 by increased by £158k to a total of £358k and that the original £450k capital allocation in 2021/22 now be earmarked in 2022/23.
ECP23	IT	Service Director - Customers	Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Responsive & Efficient	39	-	0	39	0	0	0	*0*	Replacement of the current Cygnia Web Filtering (Bloxx) Software Solution and Clearswift Email Secure Gateway Software Solution. This contract for the software licenses is due for renewal in July 2020.
ECP24	IT	Service Director - Customers	Email Encryption Software Solution	Responsive & Efficient	45	-	0	45	0	0	0	*0*	Replacement of the Egress Email Encryption Software Solution, which was on a 3 year contract. North Herts have been using the Egress Email Encryption solution to ensure any Data above the protective marker of restricted is encrypted before leaving the Email Exchange Solution. The current three year software contract expires on the 31 March 2020.
Sub-Total: IT					1,335	-	702	119	64	450	-	-	
TOTAL					6,066	287	4,176	962	379	549	1,200	0	

TOTAL CONSISTS OF:								
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:	5,800	287	3,972	939	379	510	1,060	0
NEW PROPOSALS IN THE 2019/20 PROCESS	266	0	204	23	0	39	140	0
Reprofiling reported to Cabinet in the 2nd Qrt monitoring report	0	0	4,037	0	0	0	0	0
TOTAL CONSISTS OF:	**6,066**	**287**	**8,213**	**962**	**379**	**549**	**1,200**	**0**

These totals exclude those capital projects planned to complete in 2018/19.

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COUNCIL
7 FEBRUARY 2019

PUBLIC DOCUMENT

TITLE OF REPORT: PAY POLICY STATEMENT 2019/20

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

1. EXECUTIVE SUMMARY

1.1 This report sets out a draft Pay Policy Statement 2019/20 (Appendix 1) for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015[1] and any other relevant legislation. The Statement incorporates elements of existing policy and practice and is required to be agreed annually.

2. RECOMMENDATIONS

2.1 Council is recommended to endorse the 2019/20 Pay Policy Statement attached at Appendix 1.

2.2 Council is also recommended to agree to delegate authority for revisions made in year to the Pay Policy Statement, to the Corporate Human Resources Manager, in consultation with the Leader. Revisions which might arise in the year include changes in structure, changes to employment benefits, subsequent pay awards agreed nationally and new legislative requirements.

3. REASONS FOR RECOMMENDATIONS

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

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

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

7. BACKGROUND

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

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

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

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

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

8. RELEVANT CONSIDERATIONS

Pay Policy Statement 2019/20

8.1 The draft Pay Policy Statement 2019 /20 is attached as Appendix 1. This details:

- Background
- Grading Arrangements
- Future Appointments
- Pay Multiples
- Car Allowances
- Other Payments
- Pension Contributions
- Publication Requirements

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

8.3 The main changes from the 2018/19 Pay Policy Statement are:

- Details of the pay agreement for 2019/20 set out in the Pay Policy Statement (Appendix 1, Para 2.5)
- Updated rates and multiples (Appendix 1, Paras 5.2 and 5.3.)
- An update on the Public Sector Exit Payment Regulations 2016 (Appendix 1, Paras 3.10 and 3.11)
- Proposed changes to car allowances for 2019/20 (Appendix 1, Para 6.1)

9. LEGAL IMPLICATIONS

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

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

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

9.4 Council is asked to note paragraph in 3.10 and 3.11 of the Pay Policy Statement and in particular, the uncertainty of when the Public Sector Exit Payment Regulations 2016 will come into force. In the meantime payment of any severance package would be regulated by the appropriate pay policies applicable to all staff within the organisation including the most senior, in conjunction with any applicable terms and conditions of employment contracts. As soon as there is more certainty on the Regulations, the relevant pay policies will be reviewed and updated accordingly.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

11.1 There are no direct risk implications arising from this report.

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at Paragraph 12.

14. HUMAN RESOURCE IMPLICATIONS

14.1 The Pay Statement meets the requirements of the Localism Act 2011.

15. APPENDICES

15.1 Appendix 1 - North Herts District Council Draft Pay Policy Statement 2019/20.

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17. BACKGROUND PAPERS

17.1 These are referred to in the body of the report and the Draft Pay Policy Statement 2019/20.

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

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

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

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

17.6 The Small Business, Enterprise and Employment Act 2015.

17.7 The Enterprise Act 2016.

North Herts District Council - Pay Policy Statement 2019/20

- **INTRODUCTION**

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

1.2 This is the eighth annual statement and covers the financial year, beginning 2019/20. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

- **BACKGROUND**

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

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

2.3 Following a senior management reorganisation in 2009, another Job Evaluation was carried out by Hay on Senior Posts and included an update of market data at that time. Hay also carried out the job evaluations for the new Deputy Chief Executive post introduced in 2017 and the new Service Director posts introduced in 2018.

2.4 The People Strategy 2016 - 2020 identified considerable recruitment and retention issues ahead for the Council. During 2016 Hay consultants were asked to compare the job evaluation outcomes with market rates both nationally and in London and the South East, an exercise that was first carried out when the new pay scales were introduced for single status in 2004. It identified the Councils pay rates to be 6.17% to 8.75% below the comparators. This carries some risk and is set out in the medium term financial strategy.

2.5 For the majority of staff we have been following the progress of the review of the Local Government National Pay Scales. Councils were advised to expect a reasonable level of pay increase as a result. The pay offer for 2018/19 and 2019/20 was received in April 2018. It was a two year offer of 2% for most staff and another bottom loaded increase for the lowest paid to keep pace with the rising National Living Wage. The unions reached agreement on this offer and it was paid to staff in May salaries backdated to 1 April 2018. The Pay increase for 2019/20 will be paid in April 2019 salaries. The Chief Officer pay agreement of 2% for 2 Years was received in June 2018 and back dated to 1 April 2018. The Pay increase for 2019/20 will be paid in April 2019 salaries.

- **GRADING**

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

3.2 The lowest grade is Grade 1. Following the 2019/20 pay increase in April 2019, the bottom of the Grade 1 pay band will be £17,532, the top £18,684 and the median £18,168.

3.3 The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer's pay bill. The Enterprise Act 2016 also set out that public sector bodies will be required to employ apprentices and will be set targets to increase Apprenticeships and the Levy is now used for the Apprenticeship training.

The Council has since 2013, employed a number of temporary Apprentices in support of helping young people gain paid meaningful work experience and to help them go on and find permanent employment. Those doing a Business Administration Apprenticeship will be paid at the bottom of Grade 1, £17,532. The period of employment will be 18 months which is the course timescale for this Apprenticeship. Those doing a higher Apprenticeship may be paid more and the posts will be evaluated, they may also take longer than 18 months.

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

3.5 There are 13 service managers at Grade 12 earning £45,636 to £53,676. These are typically professional senior technical officers or managers. The post of Corporate Human Resources Manager is Grade 13 (part time) pro rata of £54,120 to £63,672.

3.6 The table below shows the current positions for Chief Officers on Grades 14 to 16.

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Service Director Commercial	14	62,532	73,560
Service Director Customers	14	62,532	73,560
Service Director Legal & Community	14	62,532	73,560
Service Director Place	14	62,532	73,560
Service Director Regulatory	14	62,532	73,560
Service Director Resources	14	62,532	73,560
Deputy Chief Executive	15	86,664	101,028
Chief Executive	16	107,076	117,804

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

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

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

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

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

3.11 The Public Sector and Recovery Regulations were expected to come in force from October 2016. The proposals included placing a cap on exit payments of £95,000, introducing greater consistency to the basis of calculation of exit pay in the Public Sector. It was intended they apply to both voluntary and compulsory exits and where a number of payments are made they would be aggregated together to be measured against the £95,000 cap. It was expected to include:-

- Redundancy
- Pay in lieu of notice
- Settlement Agreement payments
- Costs arising from early pension access
- Other voluntary exits with compensation packages
- Ex gratia payments and special severance payments
- Other benefits granted as part of the exit process that are not payments in relation to employment
- Payments relating to the cashing up of outstanding entitlements

An update received in November 2016 stated there had been some slippage in the timetable and since that time there has been no further progress confirming the timetable for these regulations to commence. These regulations are now significantly delayed and it remains to be seen whether or when these proposals will be brought into force. Progress will be followed of the Payments (Limitation) Bill 2017-19 that is expected to have its second reading debate on Friday 25 January 2019.

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

4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS

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

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

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

5 PAY MULTIPLES

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

5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority's workforce. The highest paid salary including allowances is £124,168. The median salary of the whole of the Local Authority's workforce is £23,112 and the multiple is 5.37.

5.3 The multiple of the median of the lowest paid compared to the highest paid has reduced from 7.94 in 2012/13 to 6.53 in 2019/20.

Position/ Grade	Pay range	Median
Grade 1	£17,532 - £18,684	£18,168

Position/ Grade	Pay range	Median (inc Car Allowance	Multiple of Grade 1 Median
Chief Executive - Grade 16	£109,224 – £120,168	£118,696	6.53
Deputy Chief Executive - Grade 15	£88,404 - £103,056	£99,472	5.47
Service Directors - Grade 14	£63,772 - £75,036	£72,902	4.01

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

6. CAR ALLOWANCES

6.1 During 2018/19 there has been ongoing consultation with staff regarding proposals to change car allowances to match HMRC rates. The proposal for frequent car users is that the lump sum would be set at £1,239 for everyone eligible. The rate paid per mile would be set at 35p per mile. This will maintain the difference between the rates per mile for the low and frequent user schemes, as the frequent users let the lump sum. It is proposed that this change will be phased so that the rate (for up to 8,500 miles) will be 45p in 2019/20, 40p in 2020/21 and only reduce to 35p from 2021/22 onwards.

6.2 The present rates are:-

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

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

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

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

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

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

Car Allowance

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

Car Allowance Mileage Rates
Size Mileage Rate

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

7. OTHER PAYMENTS

7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as payments for taking on additional responsibility or covering absences or vacancies are calculated using the same formulas regardless of grade, current pay rates are set out in the **Council's Rates of Pay Guide.**

7.2 Any severance payments should be made in accordance with the Council's Early Severance Policy and prevailing legislative requirements. The only other severance payments would be those set out in a severance settlement agreement or to settle an employment dispute to prevent, resolve or settle an Employment Tribunal Claim. In agreeing the terms for such cases due regard will be given to ensuring the cost is justifiable in relation to the circumstances and that the proposed outcome is in the best interests of the Council and represents a proper use of public funds.

8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

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

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

8.3 There has been a significant number of changes to the scheme to that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1 April 2014.The Employee Contribution bands for 2019/20 are set out in the table below. Further reforms to the LGPS are expected due to the Public Sector Exit Payment Cap.

LGPS 2014	
Basis of Pension	Career average revaluated earnings CARE
Revaluation Rate	Based on CPI
Accrual Rate	1/49th
Pensionable Pay	Pay including non contractual overtime and additional hours for part time staff
Employee Contribution Rates	Up to £14,100 5.5% £14,101 £22,000 5.8% £22,001 £35,700 6.5% £35,701 £45,200 6.8% £45,201 £63,100 8.5% £63,101 £89,400 9.9% £89,401 £105,200 10.5% £105,201 £157,800 11.4%

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

Flexible Retirement Pension Discretion

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

9. PUBLICATION

9.1 This is the eighth annual statement and applies to the financial year, beginning 1 April 2019 to 31 March 2020. This statement was approved by a meeting of full Council on 7 February 2019. The statement will be updated and approved annually by full Council.

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

10. BACKGROUND DOCUMENTS

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

COUNCIL
7 February 2019

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: VOLUNTARY REDUNDANCIES

REPORT OF: SERVICE DIRECTOR – CUSTOMERS & SERVICE DIRECTOR – LEGAL & COMMUNITY
EXECUTIVE MEMBERS: FOR FINANCE AND IT; & COMMUNITY ENGAGEMENT AND RURAL AFFAIRS
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To seek the approval of the Council for two voluntary redundancies, where the cost of each exceed the threshold of £100,000 as set out in the Pay Policy Statement.

2. RECOMMENDATIONS

That Council approves:

2.1 Voluntary Redundancy 1;

2.2 Voluntary Redundancy 2;

the details of which are presented in the Part II Report.

3. REASONS FOR RECOMMENDATIONS

3.1 To meet the financial challenges to the Council in light of reducing Government support.

3.2 To facilitate the phase 2 restructure and assist with meeting the Council's corporate financial budgetary requirements in the longer term.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Relevant consultations have been undertaken and options considered as per the Part II report.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 Consultation has taken place with affected members of staff and the staff consultation forum, in accordance with the Council's Reorganisation Policy.

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 budget for 2019/20 and beyond (also on the agenda for this meeting) estimates that the Council will need to deliver £1.2m of annual savings by the year 2022/23. This amount is subject to the estimates detailed in the budget report, and could be greater. Levels of funding beyond next year are very uncertain and subject to a change to Business Rate retention and a new funding formula.

7.2 Following the implementation of the Senior Management Restructure on 1 June 2018, Service Directors were tasked with reviewing their establishments with a view to identifying efficiency opportunities of £300,000. Initially this was to meet the cumulative savings that had already been committed to in previous budgets, but had not at that stage been delivered.

7.3 The Council's Reorganisation Policy sets out the approach to restructure arrangements and includes a strong emphasis on seeking to avoid compulsory redundancies. The Council's approach to voluntary redundancy arrangements are set out in the policy.

7.4 The authorisation arrangements for terminating employment are set out on the Constitution and, with the exception of Statutory Officers (Head of Paid Service, S151 Officer and Monitoring Officer) such matters fall to the Head of Paid Service. However the Council's adopted Pay Policy Statement requires Council to approve any related settlement package where the total cost to the Council exceeds £100,000 (which includes both severance payment and employer's liability for pension strain or other costs). In the case of these cases the total contractual payments including employer costs each exceed £100,000.

8. RELEVANT CONSIDERATIONS

8.1 These are set out in the Part II Report.

9. LEGAL IMPLICATIONS

9.1 The Localism Act 2011 introduced the requirement for Local Authorities to agree and publish an annual Pay Policy Statement commencing 2012/13. The Department for Communities and Local Government (DCLG) also published supplementary statutory guidance '*Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011*'[1] and authorities must have due regard to this when preparing their Pay Policy Statements. This DCLG guidance provides that Full Council should be asked to determine whether it wishes to vote on any remuneration package or payment on termination of employment that amounts to £100,000 or greater. This provision has been included in the Pay Policy Statement approved by Members[2].

9.2 Full Council also has remit under 4.4.1 (aa) for "*agreeing any award which would exceed the financial limits set out in the Council's Pay Policy Statement.*"

9.3 Otherwise, the Council is bound by the terms of individual contracts with employees and employment law. The proposed course of action set out in this report accords with the Council's employment policies and those contracts. The settlement agreement manages any subsequent liabilities that the Council may have in terms of claims and is a prudent step to take.

9.4 For each of the employees it is proposed that there is a settlement agreement in place which is normal practice in such circumstances.

[1] Openness and accountability in local pay: guidance under section 40 of the Localism Act
[2] North Herts District Council - Pay Policy Statement 2018-19, paragraph 3.10

10. FINANCIAL IMPLICATIONS

10.1 The financial implications are considered in full in the Part II Report.

11. RISK IMPLICATIONS

11.1 There are risks associated with any organisational change and it is a matter of weighing up any short term risk (in terms of knowledge/skills loss) with the longer term financial and organisational opportunities that such a change offers.

11.2 The provision of settlement agreements manages any potential future claims against the Council. The proposed course of action manages the risks in an effective manner and facilitates the circumstances for a restructure to progress swiftly.

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 Consultation has been undertaken with relevant staff and no specific equality implications have been identified for the proposals concerned.

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 The Human Resources implications are considered in the Part II Report.

15. APPENDICES

15.1 None.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Pay Policy Statement 2018-19 (link as above).

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

Agenda Item 14

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