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20 July 2018

Our Ref FAR Committee 30/07/18
Your Ref.
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To: Members of the Committee: Councillor Terry Hone, Councillor Simon Harwood, Councillor Ian Albert, Councillor Kate Aspinwall, Councillor Jim McNally, Councillor Ian Moody and Councillor Terry Tyler

Substitutes: Councillor Steve Jarvis, Councillor Ben Lewis, Councillor Helen Oliver and Councillor Janine Paterson

You are invited to attend a

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

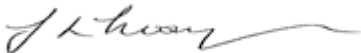
to be held in the

**FIRST FLOOR ROOMS 2/3, COUNCIL OFFICES,
GERNON ROAD, LETCHWORTH GARDEN CITY**

On

MONDAY, 30TH JULY, 2018 AT 7.30 PM

Yours sincerely,



Jeanette Thompson
Service Director – Legal and Community

Agenda **Part I**

Item	Page
1. APOLOGIES FOR ABSENCE	
2. MINUTES - 18 JUNE 2018 That the Minutes of the Meeting of the Committee held on 18 June 2018 be approved as a true record of the proceedings and be signed by the Chairman.	(Pages 1 - 8)
3. NOTIFICATION OF OTHER BUSINESS Members should notify the Chairman of other business which they wish to be discussed by the Committee at the end of the business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chairman will decide whether any item(s) raised will be considered.	
4. CHAIRMAN'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wished to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5. PUBLIC PARTICIPATION To receive petitions and presentations from members of the public.	
6. AUDIT FINDINGS REPORT FOR NHDC 2017/2018 REPORT OF ERNST AND YOUNG To consider the Audit Findings Report for NHDC 2017/18. This report will be tabled.	

- 7. MEDIUM TERM FINANCIAL STRATEGY** (Pages 9
REPORT OF THE SERVICE DIRECTOR – RESOURCES - 24)
- To consider the Medium Term Financial Strategy 2019-2024.
- 8. STATEMENT OF ACCOUNTS 2017/18**
REPORT OF THE SERVICE DIRECTOR – RESOURCES
- To consider the Statement of Accounts 2017/18.
- This report to be tabled.
- 9. FIRST QUARTER REVENUE MONITORING 2018/19** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 25 - 34)
- To inform the Finance, Audit and Risk Committee of the summary position on revenue income and expenditure forecasts for financial year 2018/19 as at the first quarter.
- 10. FIRST QUARTER CAPITAL MONITORING 2018/19** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 35 - 48)
- To update on progress with delivering the Capital Programme.
- 11. TREASURY MANAGEMENT FIRST QUARTER 2018/19** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 49 - 64)
- To inform of the Treasury Management activities in the first quarter of 2018/19 to the end of June.
- 12. ANNUAL GOVERNANCE STATEMENT 2017/18** (Pages
REPORT OF THE SENIOR POLICY OFFICER 65 - 78)
- To consider the Annual Governance Statement 2017/18.
- 13. FUTURE MEETING - POSSIBLE AGENDA ITEMS**
Introduced by the Chairman.

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Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE FIRST FLOOR ROOMS 2/3, COUNCIL OFFICES,
GERNON ROAD, LETCHWORTH GARDEN CITY
ON MONDAY, 18TH JUNE, 2018 AT 7.30 PM

MINUTES

Present: *Councillors Councillor Terry Hone (Chairman), Councillor Simon Harwood (Vice-Chairman), Ian Albert, Kate Aspinal and Ian Moody.*

In Attendance: *Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager), Reuben Ayavoo and Ian Gourlay (Committee and Member Services Manager).*

Also Present: *Councillors Julian Cunningham (Executive Member for Finance and IT) and Helen Oliver.
1 member of the public.*

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Terry Tyler.

2 MINUTES - 21 MARCH 2018

RESOLVED: That the Minutes of the Meeting of the Committee held on 21 March 2018 be approved as a true record of the proceedings and be signed by the Chairman.

3 NOTIFICATION OF OTHER BUSINESS

There was no other business notified.

4 CHAIRMAN'S ANNOUNCEMENTS

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

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

5 PUBLIC PARTICIPATION

There was no public participation.

6 ANNUAL EXTERNAL AUDIT AND CERTIFICATION FEES 2018/19

The Committee considered the report from Ernst and Young in respect of the Annual External Audit and Certification Fees 2018/19.

The Committee was informed that, following consultation on its Work Programme and Scale of Fees, Public Sector Audit Appointments Ltd (PSAA) had reduced the scale audit fee for all opted-in bodies by 23% from the fees applicable in 2017/18. The indicative 2018/19 external audit for NHDC was therefore £40,068.

The Service Director – Resources commented that the reason why the report contained no figure for the Certification Fees was that this work was now subject to a separate procurement process. The outcome of this procurement process would be reported to the Committee in due course.

RESOLVED: That the Annual External Audit and Certification Fees 2018/19 be noted.

REASON FOR DECISION: To keep the Committee informed of the level of External Audit and Certification Fees for 2018/19.

7 THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE 2017/18

The Client Audit Manager (SIAS) presented a report on the effectiveness of the Finance, Audit and Risk Committee.

The Client Manager (SIAS) referred to Section 4 of the report, entitled “Looking Ahead”. In looking forward to 2018/19 and beyond and given the significant financial and other pressures the Council faced, the importance of an effective Audit Committee was crucial. With this in mind, the intention was to complete a more thorough review of the effectiveness of the Committee in future years. It was proposed that this would involve Member engagement and consultation on the work of the Committee.

The Committee was supportive of the actions proposed in the report, including the action relating to Members completing a skills self-awareness exercise to identify areas of strength and training needs. In respect of the latter point, the Chairman encouraged all Members to attend the Risk Management training session arranged to take place on Monday, 25 June 2018. In respect of the Peer review action, it was felt that this might be best addressed by way of a possible overall Peer review of all of the Audit Committees in the SIAS partnership.

RESOLVED: That, in respect of the proposed actions recommended by SIAS to ensure ongoing compliance with CIPFA best practice and to maximise the effectiveness of the Finance, Audit and Risk Committee, the following be supported:

(i) Learning and Development

- All Members complete a skills self-assessment to identify areas of strength and training needs;
- A training programme is developed to address any weaknesses in the Committee or training needs identified;
- An induction programme is implemented for all new Members.

(ii) Committee Business

- At the next review of the terms of reference, the Council should consider including a “Statement of Purpose” for the Committee (as per the guidance in CIPFA’s ‘Audit Committees – Practical Guidance for Local Authorities and Police 2018 edition’);
- Proposed agendas are scrutinised by Democratic Services and the Chairman of the Committee to confirm that they are risk-based, focussed and manageable;

- Information presented to the Committee in a format that allows Members to focus on key risks, internal controls and governance issues which may impact on the Council's ability to meet its objectives;
- Members challenge processes, as appropriate, to ensure there is an appropriate balance between risk and control.

(iii) Communication

- Regular meetings are held outside the committee schedule between the Chairman of the Committee and Committee contributors (officers).

(iv) Overall Committee Effectiveness

- Members to complete the self-assessment of effectiveness included in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities and Police 2018 edition';
- Members to consider a Peer review to assess the effectiveness of the FAR Committee (but only as part of a possible overall Peer review of all of the Audit Committees in the SIAS partnership).

REASON FOR DECISION: To ensure that the Council complies with the requirement that an Audit Committee reviews its own effectiveness.

8 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2017/18

The Client Audit Manager (SIAS) presented the Annual Assurance Statement and Internal Audit Report 2017/18.

In respect of the Annual Assurance Statement, the Client Audit Manager (SIAS) advised that a self-assessment exercise had been carried out against the Public Sector Internal Audit Standards (PSIAS). Two areas of agreed non-conformance had been identified, as set out in Appendix C to the report. However, the "generally conforms" conclusion was the highest rating, and meant that SIAS had a charter, policies and processes assessed as conformant to the standards and was consequently effective.

The Service Director – Resources confirmed that, during the year, no matters had threatened the independence of SIAS, and that SIAS had not been subject to any inappropriate scope or resource limitations. SIAS had provided an overall opinion of "Substantial Assurance" in respect of the Council's Financial and Non-Financial Systems.

In relation to Performance Indicators, the Client Audit Manager (SIAS) was pleased to report that the target of 95% of planned days had been met, and the target of 95% of planned projects had an actual outturn of 94%.

The Client Audit Manager (SIAS) briefly referred to the appendices to the report, namely Appendix A – Audit Plan final position; Appendix B – Definitions of Assurance and priority levels of recommendations; Appendix C – Agreed Non-conformance areas; and Appendix D – Audit Charter 2018/19.

RESOLVED:

- (1) That the Annual Assurance Statement and Internal Audit Report 2017/18 be noted;
- (2) That the results of the self-assessment, as required by both the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;

- (3) That the SIAS Audit Charter be accepted; and
- (4) That the assurance from management that the scope and resources for internal audit had been subject to no inappropriate limitations in 2017/18 be noted.

REASON FOR DECISION: To review and note the Annual Assurance Statement and the Internal Audit Annual Report for 2017-2018.

9 **SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2018/19 AUDIT PLAN**

The Client Audit Manager (SIAS) presented an update report on progress against the 2018/19 Audit Plan, up to 4 June 2018.

The Client Audit Manager (SIAS) advised that ten 2017/18 and two 2018/19 final audit reports had been issued since the last meeting of the Committee. Since the report had been written, one further final report (on Health and Safety) had also been issued. Six Medium Priority recommendations, resulting from two audits, made during the period were summarised in the report. No new High Priority recommendations had been made.

The Client Audit Manager (SIAS) stated that the Commercialisation audit had been cancelled as the work was no longer required. As a result, the contingency in the 2018/19 stood at 11 days.

In terms of performance, the Client Audit Manager (SIAS) updated the report by advising that 17% of Planned Audit days and 15% of Planned Projects had been completed.

The Client Audit Manager (SIAS) referred to Appendix D to the report, which set out the new assurance levels of "Good"; "Satisfactory"; "Limited"; and "No", and a new Priority Level for Corporate (as opposed to Service) risk of "Critical".

In response to a Member's question, the Client Audit Manager (SIAS), assisted by the Service Director – Resources, explained the Medium Priority recommendation concerning the Business Improvement Districts.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 4 June 2018 be noted;
- (2) That the proposed amendments to the 2018/19 Audit Plan be noted; and
- (3) That the implementation status of High Priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to review, comment and challenge the current status of the Internal Audit Plan.

10 **RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2017/18**

The Service Director - Resources presented a report which provided an update on Risk Management and the Annual Report on Risk Management 2017/18.

The Service Director - Resources advised that, in February 2018, officers had reviewed the "Waste – Depot/Transfer Station" sub-risk and increased the likelihood risk score to "High" (3). This was to reflect the emerging issues relating to the installation of a Fire Suppression System and the Environment Agency permit/licence at the Buntingford Depot. The proposed change would move the Waste sub-risk from an 8 to a 9 on the Risk Matrix.

In respect of the “Waste – Food and Garden Waste” sub-risk, the Service Director - Resources commented that, in February 2018, officers had created a new sub-risk for the Waste and Street Cleansing Contract renewal with a score of 5. This was to reflect the introduction of charging for Garden Waste, which commenced on 9 May 2018.

The Committee noted that the overall risk for the Waste and Street Cleansing Contract renewal remained unchanged as an 8 on the matrix.

The Service Director - Resources referred to the Annual Report on Risk Management 2017/18, as attached at Appendix B to the report. He summarised the significant changes to the Top Risks which had occurred throughout the year, and drew attention to the achievements against the Risk management Action Plan for 2017/18.

It was noted that, when the Risk Management Group met next, there was a strong possibility that the Office Accommodation risk would be removed from the matrix now that the move back to the District Council Offices had been completed.

In response to a request from the Chairman, the Service Director – Resources undertook to report back to the Committee following the outcome of a review of the Risk Management Group’s structure and terms of reference.

RECOMMENDED TO CABINET:

- (1) That the increase in the score for the “Waste – Depot/Transfer Station” sub-risk from an 8 to a 9 be approved;
- (2) That a new “Waste – Food and Garden Waste” sub-risk, with a score of 5, be approved;
- (3) That the overall score for the Waste and Street Cleaning Contract renewal” risk remain unchanged at a score of 8; and
- (4) That the Annual Report on Risk and Opportunities Management 2017/18, as set out at Appendix B to the report, be supported and referred to Council for approval.

REASON FOR DECISION: To comply with the Risk and Opportunities Management Strategy, which stipulates that an Annual Risk Management report is taken to Council.

11 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2017/18

The Committee received the Finance, Audit and Risk Committee Annual Report for 2017/18, prepared by the Chairman of the Committee (Councillor Terry Hone). The Chairman referred to the various sections in the report regarding the role of the Committee; its effectiveness; the types of reports submitted to meetings; main achievements; and planned work for 2018/19.

In response to a Member’s query, the Service Director undertook to circulate to Committee Members the dates of future meetings of the Risk Management Group.

RECOMMENDED TO COUNCIL: That the Annual Report of the Finance, Audit and Risk Committee 2017/18 be noted.

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

12 DRAFT ANNUAL GOVERNANCE STATEMENT 2017/2018

The Senior Policy Officer presented a report in respect of the Draft Annual Governance Statement (AGS) 2017/18. The draft AGS was included as Appendix A to the report.

The Senior Policy Officer advised that the draft AGS had been prepared following an in-depth review/input and scoring by SMT against the CIPFA/SOLACE Framework 2016 Principles. The conclusion against the Principles was the AGS had achieved a “Substantial” Assurance level. The format of the document was similar to 2016/17 version.

The Committee’s comments on the draft AGS and Action Plan, as set out in the resolution below, would be investigated and, if possible, incorporated into the final version of the document for consideration at the July 2018 meeting.

RESOLVED: That the draft Annual Governance Statement Action Plan for 2017/18 be noted, and the following comments of the Committee, if possible, be incorporated into the document in order for it to be finalised for approval in July 2018:

- Principle E – inclusion of a statement/reference to the Gender Pay Gap;
- Information Commissioner’s Office (ICO) – investigation as to the content of the outstanding ICO decision and whether it will be determined under the Data Protection rules prevailing at the time or the new General Data Protection regulations (GDPR); and
- Updating throughout the AGS and Action Plan to reflect correct Executive Member/Officer job titles/designations.

REASON FOR DECISION: To offer Members of the Committee the opportunity to assess and comment on the Annual Governance Statement before it is finalised; and to provide the Committee with assurances that NHDC is examining and, where necessary, improving its governance arrangements.

13 REVENUE BUDGET OUTTURN 2017/18

The Accountancy Manager presented the report of the Service Director - Resources in respect of the Revenue Budget Outturn 2017/18, and advised that the report was before this Committee for consideration prior to presentation to Cabinet on 19 June 2018.

The Accountancy Manager advised that, at year end, there had been an underspend against the working budget of £422,000. Part of that was due to projects which had not completed by the end of the year, and hence £261,000 was requested to be carried forward to fund these projects in 2018/19. There was a further forecast impact on the 2018/19 budget of an increase of £85,000.

The Accountancy Manager referred to Table 2 in the report, which summarised the significant variances. As detailed in paragraph 8.3, the Council had overachieved on its efficiencies target for 2017/18 of £929,000 by £286,000, primarily due to increased planning income. Table 3 in the report set out the unspent Carry forward Budgets in 2017/18, which showed that a total of £473,000 of the budget carried forward had not been spent.

In respect of the Council’s Corporate Financial Health Indicators, the Accountancy Manager commented that the Planning Application Fees and Parking Penalty Charge Notices were at green status, but the Land Charges income and Car Parking fees were at red status, as set out in Table 4 in the report.

The Accountancy Manager explained that, at the end of 2017/18, there was a surplus on the NHDC share of the Council Tax Collection fund of £257,000 and a deficit on the Business Rates Collection Fund of £624,000. The deficit would be funded from the grants that the Council received for Business rate reliefs.

The Committee was informed that the notional amount calculated at the start of the year for known risks was £795,000, and at the end of the year a total of £451,000 had come to fruition.

The Accountancy Manager drew attention to Table 7 in the report, regarding Earmarked Reserves, the balance of which was recommended to increase from £4.609million at the beginning of the year to £5.679million at the end.

In respect of Table 3 in the report, which outlined the unspent Carry Forward budgets in 2017/18, the Committee noted that a number of these had been further recommended for carry forward to 2018/19. The Committee therefore agreed that Cabinet be requested to ensure that each item in the list was challenged robustly if further carry forward was requested, with each item being accompanied by an acceptable justification as to why it should be carried forward, in the realistic expectation that the budget would be spent.

RESOLVED: That the Revenue Budget Outturn 2017/18 report be noted.

RECOMMENDED TO CABINET: That, in respect of Table 3 in the report, which outlined the unspent Carry Forward budgets in 2017/18, it be ensured that each item in the list is challenged robustly if further carry forward is requested, with each item being accompanied by an acceptable justification as to why it should be carried forward, in the realistic expectation that the budget would be spent.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Revenue Budget Outturn 2017/18.

14 CAPITAL PROGRAMME OUTTURN 2017/18

The Accountancy Manager presented the report of the Service Director – Resources in respect of the Capital Programme Outturn 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 19 June 2018.

The Accountancy Manager advised that there had been a total Capital spend of around £9.5million, approximately £1.5million less than forecast at the end of the Third Quarter. The majority of this figure related to re-profiled schemes.

The Accountancy manager explained that Table 2 in the report identified the more significant amounts in respect of the re-profiled projects. Table 3 detailed the projects where the amount spent had changed.

The Accountancy Manager referred to paragraph 8.5 of the report, which listed the Capital projects completed in 2017/18, and Table 4 provided a breakdown of how Capital Programme was funded (through useable capital receipts, set aside receipts, Section 106 receipts, and other third party grants and contributions).

Members commented that there were expected to be Capital monies available to fund the 2018/19 programme, but that Capital funds would be likely to be depleted within the next few years. The Committee therefore agreed that, in view of this situation, Cabinet be recommended to ensure that regular scrutiny of the Capital Programme is carried out.

RESOLVED: That the Capital Programme Outturn 2017/18 report be noted.

RECOMMENDED TO CABINET: That, in view of the fact that Capital funds are likely to be depleted within the next few years, it be ensured that regular scrutiny of the Capital Programme is carried out by the Cabinet.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Capital Programme Outturn 2017/18.

15 ANNUAL TREASURY MANAGEMENT REVIEW 2017/2018

The Service Director - Resources presented a report in respect of the Annual Treasury Management Review 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 19 June 2018.

The Service Director - Resources advised that the Council had generated £0.344million of interest from its investments in 2017/18. The Council had repaid £0.025million of borrowing during the year as it had matured, and had £0.455million of remaining borrowing, at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early meant that it was not worthwhile to do so.

The Service Director – Resources commented that, whilst the Council had complied with its legislative and regulatory requirements throughout the year, there had been three minor breaches of the limit set on the percentage that could be invested with a single counterparty. He would be introducing processes aimed at ensuring that there would be no repeat of such breaches.

The Service Director – Resources stated that the forecast for 2018/19 was that investment income would continue to reduce, due to both market conditions and the use of cash balances to fund the Capital Programme.

RESOLVED: That the Annual Treasury Management Review 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Annual Treasury Management Review 2017/18.

16 FUTURE MEETING - POSSIBLE AGENDA ITEMS

The Service Director – Resources confirmed that he expected that the review of the Council's Corporate Procurement Rules would take place in the late summer 2018 and proposals for a review of a Capital Strategy for 2019/20 onwards would take place in the early autumn 2018.

In respect of the responsibility for consideration of reports relating to the Car Parking Strategy and Cabinet Shareholder Sub-Committee, the Service Director – Resources confirmed that, whilst these issues contained financial implications, the Overview and Scrutiny Committee would be the appropriate forum for the consideration of such matters. However, it would be possible for the Finance, Audit and Risk Committee to contribute to the workings and figures in the Medium Term Financial Strategy and through the Draft Budget.

The meeting closed at 8.59 pm

Chairman

**FINANCE, AUDIT AND RISK COMMITTEE
30 JULY 2018**

PART 1 DOCUMENT

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY 2018 TO 2023

REPORT OF THE SERVICE DIRECTOR- RESOURCES

EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM

COUNCIL PRIORITY: ATTRACTIVE AND THRIVING / PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 This report recommends the Medium Term Financial Strategy (MTFS) for 2019/24 to guide and inform the Corporate Business Planning Process. The updated version of the Strategy reflects any expected changes in funding alongside decisions taken by the Council during 2017/18. This is used to model the budget for the next five years and therefore highlight additional decisions that will need to be taken. It also reflects the significant uncertainty over funding in future years and highlights the need to be able to react to any changes.

2. RECOMMENDATIONS

2.1 That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2019-24 as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

3.1 Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2019/2020 to 2023/2024, culminating in the setting of the Council Tax precept for 2019/20 in February 2019.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 None.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 No external consultation has been undertaken in the preparation of this report.
- 5.2 Members will be aware that consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the Objectives will be carried out in accordance with the Corporate Business Planning Timetable and the Council's Consultation Strategy.
- 5.3 As in previous years, Member workshops will be held in regard to corporate business planning proposals, in addition to seeking the views of the Finance Audit and Risk Committee, the North Hertfordshire Partnership (LSP), parish, town and community councils, panel of residents, statutory partners and business ratepayers views as appropriate

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5th June 2018.

7. BACKGROUND

- 7.1 Before considering the detailed budget position for the authority, the Corporate Business Planning Process requires that the Council's high level objectives are determined.
- 7.2 The Council's budget and its objectives are inextricably linked. There is no point in having a service or key project that cannot be funded and no point in spending limited resources (including staff resources) if they are not achieving the objectives that have been set. This aligns the agreed Policy of the Council with the finances which will deliver it.
- 7.3 The Corporate Plan, proposed for adoption in this same committee cycle, informs the opportunities and risks facing the district, and also identifies the things the Council will do to ensure that it is being delivered.

8. RELEVANT CONSIDERATIONS

- 8.1 The Medium Term Financial Strategy attached as Appendix A details the forecast impact of reducing resources, and quantifies what the Council will need to do to balance its budget in the medium term. It also reflects the significant uncertainty over a number of our funding sources in future years and therefore highlights the need to be able to react to any changes.
- 8.3 Subject to Cabinet's consideration, the MTFS at appendix A will be referred to Council for adoption on 6th September 2018.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference include at 5.6.35 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process.
- 9.2 The purpose of the report is to outline a medium term financial management strategy for 2019 to 2024. The attached MTFS will assist the Council in making sustainable decisions by providing a framework within which those decisions may be taken.
- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 All financial implications are covered in Appendix A.

11. RISK IMPLICATIONS

- 11.1 The key risks within the budget assumptions are referred to in Appendix A. Section 2.14 of Appendix A highlights some of the impacts of what would happen if there were changes in the assumptions made.
- 11.2 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks by scenario planning, use of the established corporate business planning process and early involvement of members and key stakeholders. The Council has a Corporate Risk of "Managing the Council's Finances". This is monitored by the Finance Audit and Risk Committee. Having an MTFS is a key mitigation to this risk.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 In setting its Corporate Objectives, the council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for those Efficiency or Investment options that are taken forward.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

14.1 Section 2.5 of Appendix A details the forecasts of pay growth over the period of the MTFS. The ability of the Council to employ the people it needs to deliver services will be significantly impacted by not providing a competitive remuneration package.

14.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills as set out in paragraph 7.2.

15. APPENDICES

Appendix A – Medium Term Financial Strategy 2019-2024.

16. CONTACT OFFICERS

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Kerry Shorrocks, Corporate HR Manager
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Reuben Ayavoo, Senior Policy Officer
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NORTH HERTFORDSHIRE DISTRICT COUNCIL

MEDIUM TERM FINANCIAL STRATEGY

2019-2024

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3	Next Steps- Bridging the Gap
Annex 1	Budget Assumptions and Policies, including: <ul style="list-style-type: none">• Income policy• Risks and General Fund policy• Use of Capital
Annex 2	Roles and Responsibilities

1.0 Introduction

- 1.1 The Medium Term Financial Strategy (MTFS), the Council's key financial planning document, is an integral part of the Council's Corporate Business Planning process. The Council operates a system of priority led budgeting, with those district priorities set out in the "Corporate Plan" policy document. The MTFS then sets out how the financial management process will contribute to delivering those priorities and sets out a clear framework for our financial decision making. The strategy is updated annually. We fully expect that it will change over time to reflect new opportunities and policy decisions.
- 1.2 The MTFS includes a forward look over the next five years to assess the spending pressures the Council is likely to face and the level of cost reductions or income generation that will need to be made to allow us to achieve our legal duty to set a balanced budget each year. The Council has intentionally increased the level of its general fund reserves. The intention is that they can be used to soften the impact of expected (although currently unknown) future funding reductions. There will still be a need for the Council to review what services it delivers and how, but this approach does give more time to plan the impact of these changes.
- 1.3 The Council is required to retain a certain level of reserves. This is to provide protection against both known and unknown risks. This includes being able to react to changes in demand and any emergencies that may arise. The higher balance also reflects that the risks faced by the Council are higher, as it becomes more reliant on delivering efficiencies, generating income and undertaking more commercial activities.
- 1.4 The current national political climate means that there is significant uncertainty within the MTFS and therefore it will be kept under review until the budget for 2019/20 is agreed at Council in February. Even once the MTFS is agreed by Council, it is still just a plan, and therefore it will be monitored throughout the year and amended to reflect updated information. The budget monitoring reports (revenue and capital) that are provided to Finance, Audit and Risk Committee and Cabinet are a key component of this.

2.0 The current picture

- 2.1 The 2018-23 MTFS set the following budgets for four years:

<i>£000</i>	2018/19	2019/20	2020/21	2021/22
Net revenue expenditure	15,513	15,534	15,127	14,896
Estimated Funding	15,235	14,873	14,108	14,641
Use of reserves	754	1,525	595	(56)
General Fund brought forward	6,407	5,653	4,128	3,534
General Fund carried forward	5,653	4,128	3,534	3,590
Assumed savings and income efficiencies to be delivered (cumulative)	250	750	1,500	2,250

- 2.2 Whilst the MTFS is for a five year period, detailed forecasts were only provided for a four year period. This reflected the substantial uncertainty over future funding levels and that the Council should aim to balance its funding within the four year period.
- 2.3 The final position at the end of 2017/18 was a General Fund Balance that was higher (£7.403 million) than estimated above. This was due to underspends against budget and higher than forecast income from Business Rates. Some of the underspends have been requested to be carried forward, which increases the forecast spend in 2018/19.

- 2.4 To refresh the MTFS for the period 2019-24 it is necessary to consider any changes that need to be made to funding expectations and expenditure forecasts. Annex 1 provides further details of some of these assumptions. The following paragraphs detail the relevant changes.
- 2.5 Last year's MTFS included an allowance for pay inflation of 3% in 2018/19 and 2019/20, followed by a 2% increase in each year thereafter. A pay award for Officers and Chief Officers has now been agreed covering 2018/19 and 2019/20. This will provide a general increase of 2%, with higher increases for those at the bottom end of the pay scales to reflect the increases in the National Living Wage. The amounts budgeted for 2018/19 and 2019/20 (including the ongoing impact) will therefore be adjusted to reflect the pay award. The assumption for 2020/21 onwards will be based on a 2% average increase. However this is likely to have a very limited impact on the previously identified pay differentials, and have no impact when compared with other Local Authorities. A more fundamental review of our pay scales could be carried out, but is likely to be a significant cost pressure. This will need to be kept under review in the context of our ability to recruit to vacant posts.
- 2.6 The Council submitted a 4-year sustainability (also known as efficiency) plan in September 2016. This provided certainty over the level of Revenue Support Grant (RSG) that the Council will receive up to 2019/20. This includes an additional Business Rate tariff (known as Negative RSG) from 2019/20 of over £1 million. Whilst there was a commitment in December 2017 that the Ministry for Housing, Communities and Local Government (MHCLG) would look at "fair and affordable" options for dealing with negative RSG. There was supposed to be a consultation in spring 2018 which has not happened and there have been no other subsequent announcements. Therefore the Council continues to work on the assumption that it will have to pay a negative RSG (or an equivalent reduction in funding) from 2019/20 onwards.
- 2.7 In December it was also announced that a fair funding formula and 100% business rates retention would be implemented from 2020/21. A new funding formula would allow a different targeting of resources, such as more money for social care. Business rates retention relates to retention within Local Government overall and not to the area where it is collected. Although there may be the opportunity for Authorities to retain a greater share of any growth in Business Rates. The intention was that 100% retention would be accompanied by a transfer of responsibilities to Local Authorities so that the impact was cost neutral (i.e. it would not provide any additional money for Local Government). There has been lobbying to make the case that at least some of the funding should provide additional resources, without accompanying additional responsibilities. There has also been rejection of some of the proposed additional responsibilities on the basis that future spending obligations would not be matched by increases in Business Rates. It is therefore looking like 100% retention will be replaced with 75% retention. Overall there is very little information to base future funding estimates on. There is likely to be some damping to reduce the initial shock of any change, but the intention is that this will be unwound quite quickly. Whilst funding estimates are provided over a 4 year period, there is increasing uncertainty for 2020/21 and beyond. The aim of the MTFS should therefore be to: balance funding and expenditure within 3 years based on current assumptions, maintain General Fund balances to provide more time to react to changes and generate ideas for efficiencies, income generation and service reductions that can be implemented as required.
- 2.8 Current estimates of Business Rates are based on what Central Government determine to be the Council's baseline need, which is a prudent assumption. The Council does get to retain some growth in Business Rates and the estimates could be changed to reflect this. However any growth is quite uncertain and could be affected by collection rates, revaluations and appeals. Therefore the baseline need figures are used.
- 2.9 A further announcement in December (by the MHCLG) was an increase in the amount that Council Tax can be increased by without the requirement for a local referendum. To reflect increases in inflation (for 2018/19 and 2019/20) Council Tax can be raised by the higher of (up to) 3% or £5 for

a Band D property (with other properties pro rata to this). It is assumed that for 2020/21 onwards the allowable increases (without the need for a local referendum) will revert back to the higher of (up to) 2% or £5 for a band D property. The MTFS assumes that the Council will continue to raise Council Tax by as much as it is allowed to without triggering a local referendum. This will be 2.99% in 2019/20 and then £5 (band D) in each year thereafter. Last year's MTFS assumed a 1% growth in the Council Tax base (i.e. number of Band D equivalent properties paying Council Tax), which was an increase from the assumed 0.5% in previous years. Actual growth in the Council Tax base in recent years has generally been at least 1% per year and is expected that this level of growth will continue going forward and therefore the growth is assumed to be 1% per year.

- 2.10 There were significant changes to New Homes Bonus (NHB) funding announced in December 2016. As expected this reduced the period over which the Bonus is paid. However it also introduced a baseline percentage of 0.4%, which meant that only growth above that level in each year would receive the bonus. For example, in 2018/19 the baseline was set at 0.4% of 57,288 properties = 230. So the Council did not receive a bonus for the first 230 properties, and therefore received a bonus based on 153 homes rather than 383. The bonus is funded from a fixed pot that has been top-sliced from the overall resources for funding Local Government. There is the scope for the baseline percentage to be adjusted in future years. The expectation is that it is only likely to increase e.g. to reallocate funding for specific services (such as social care) or to maintain the affordability within the overall fixed pot. This further reduces the funding the Council receives. Forecasts of housing growth in the District from show a significant increase. As the overall pot is fixed, the Council should only expect a significant increase if the growth was exceptional. This is unlikely to be the case, so the forecast in 2021/22 and 2022/23 is assumed to be the same as in 2020/21. Without any further information, the 0.4% is used as a baseline in each year. The above is on the assumption that the Local Plan is adopted. If it is not adopted then housing growth is likely to be lower and it is also possible that the Bonus could be withdrawn.
- 2.11 During 2017/18 there were substantial savings identified, particularly in relation to the retendered waste contract. This has significantly reduced the value of the savings or income generation that still need to be identified.

2.12 Expenditure and income over the next four years is therefore forecast to be:

£000	2019/20	2020/21	2021/22	2022/23
Net expenditure brought forward	14,549	14,496	14,812	15,085
Ongoing base budget adjustments, including previously identified savings	(663)	(29)	(84)	90
Additional savings or income generation to be identified*	(100)	(200)	(200)	(200)
Pay inflation and increments	448	250	250	250
Contractual inflation	444	420	430	430
Income inflation	(332)	(275)	(273)	(298)
Pension scheme contribution increases	0	0	0	0
Investment budget	150	150	150	150
Net Expenditure- to be funded from taxation and general grants	14,496	14,812	15,085	15,507
Council Tax	(11,417)	(11,781)	(12,152)	(12,529)
Revenue Support Grant	0	0	0	0
Business Rates- including tariff adjustment	(1,609)	(1,658)	(1,708)	(1,759)
New Homes Bonus	(1,119)	(1,252)	(1,252)	(1,252)
Other	24	24	24	24
Council Tax Collection Fund surplus	(260)			
Net funding position (use of reserves)	115	145	(3)	(9)
Reserve balance b/f	7,240	7,125	6,980	6,983
Reserve balance c/f	7,125	6,980	6,983	6,992

* These amounts are not cumulative. The total additional annual savings that need to be delivered by 2022/23 are £700k.

2.13 A minimum General Fund balance of around £2.2 million was calculated in setting the 2018/19 budget for the purpose of protecting the Council against known and unknown financial risks. The Council is required to consider and maintain a minimum General Fund balance, as part of prudent budget planning. This minimum balance is partly based on the net budget of the Council. As the Council becomes more focused on income generation this will mean that the net budget is maintained at a similar level but both gross expenditure and gross income are higher, which brings with it greater risk. It is therefore reasonable to have a position where the General Fund balance is planned to be significantly above the minimum. As mentioned previously, the balance can also be used to provide a cushion against future expected funding reductions.

2.14 There are a number of assumptions built in to this analysis. The table below shows the sensitivities of some of these assumptions and the potential impact on budgets:

	Additional use of reserves over 4 years (£000)
Council tax base growth at 0.5% per year (rather than 1%)	600
Council Tax increases at 1.99% rather than 2.99% (2019/20) and £5 (thereafter)	575
Additional 1% pay inflation per year	500
New Homes Baseline at 0.5% (rather than 0.4%)	765

- 2.15 The Council currently has capital reserves that it can use to fund its capital programme. This means that the revenue impact of capital investment is minimal as it is just the lost interest from treasury investments. Over the life of the MTFS the available capital resources are likely to be diminished. After this the cost of capital investment will be substantially higher as it will incorporate borrowing charges and Minimum Revenue Provision. The capital programme (for all projects that are not committed to start) should be reviewed on the following basis:
- Is it necessary for continued service provision?
 - If it is for investment, what return does it provide? Does it still provide a positive return if it was necessary to borrow money to fund the project?

3.0 Next Steps- Bridging the Gap

3.1 Corporate Business planning will need to be undertaken to identify how the required savings and income efficiencies will be delivered.

3.2 The roles and responsibilities of Councillors, Officers and the Senior Management Team are detailed in Annex 2. In summary the actions that will be required are:

- Officers (including the Senior Management Team) will continue to review current models of service delivery, and put forward proposals as to potential changes and the savings that could be achieved. Options may include:
 - Up-front (capital) investment to enable change
 - Working with others e.g. joint provision, joint procurement
 - Challenging the extent to which they deliver Corporate Priorities
 - Determine what non-statutory services are being provided (including services that exceed the statutory level of provision) and ensure that there is a case for continued delivery
 - Review of the capital programme
- There will be an increased focus on Commercialisation. This could include generating revenue income from capital investment, selling existing services on a more commercial basis or developing new services that are income generating. These options are likely to involve a lag between investment and savings generation.
- Councillors will be required decide on whether to take forward the options presented.
- The Service Director- Resources will monitor the assumptions made in funding and expenditure levels. When there is information that these will change, the MTFS will be updated and the implications presented back to Cabinet.

ANNEX 1 Budget Assumptions and Policies

Key Budget Assumptions

Inflation indices are reviewed on an annual basis and the forward budget projections amended accordingly. At this stage in the budget planning process, it is prudent to take a cautious approach and, in identifying the likely Council Tax requirement, the strategy focuses on the pressures on expenditure and assumes that income will rise in accordance with the determined policy. The figures presented in the MTFS financial projections appendices include the following assumptions in line with the current financial strategy

- Investment income is based on cashflow projections and a 1% return. This is significantly affected by the timing of expenditure in the capital programme.
- New Homes Bonus (NHB) will be awarded for 4 years from 2018/19. A 0.4% baseline (dead-weight) has been assumed. The split between District and County is assumed to remain at 80:20. It is assumed that the Council will have a Local Plan which will allow it to continue to receive NHB. The number of new homes per year is based on prudent estimates and could be higher. However it is assumed that there will not be any growth in the NHB received as it is funded from a fixed overall pot.
- The majority of the New Homes Bonus is used to continue the delivery of services in the face of other government funding reductions and is built into the base budget. Given the high uncertainty over this funding, it would be better if it was not used for core budgets, but it is appreciated that this is not currently feasible.
- Contract inflation in accordance with the individual contract terms.
- Pay inflation at 2.68% in 2019/20 (to reflect 2% pay award and additional allocation for lower grades to reflect National Living Wage increases), and an average of 2 % each year thereafter.
- Pension fund contributions do not include the assumption of making a capitalised lump sum payment, as permission was declined by Department for Communities and Local Government (now Ministry for Housing, Communities and Local Government).
- No allowance is made for general inflation on remaining expenditure. Although after allowing for salary and contractual inflation, the remaining amount is insignificant.
- Discretionary fees and charges income will be increased by CPI at November, plus 2%. This will be where it is legally possible and subject to a market impact assessment.
- The overall Council tax base figure will rise by 1% per annum.
- Council tax precept will be increased by the maximum amount allowed without the need for a local referendum.
- An assumed 99% collection rate for the purposes of calculating the Council tax base.
- An assumed 97% collection rate for Business Rates
- The minimum General Fund balance will be maintained at 5% of net expenditure plus an allowance for known financial risks.
- Any future changes to the local Council Tax Reduction Scheme will aim to have a cost neutral impact.
- The current assumption is that payments from Hertfordshire County Council as part of the Alternative Financial Model (AFM) for waste will continue. Pressures in relation to waste growth and cost of disposal may affect this in the future.
- A vacancy factor set at approximately 2.5% of salary budget to yield in the region of £300k is included in the base budget in each year.
- The Council will not subsidise areas which are the responsibility of another precepting body other than through a one-off match-funding arrangement where this is in the interests of the local Council tax payers.
- All assumptions are subject to further refinement during the budget process as more certain information becomes available.

Income Policy

As a minimum in recent years, where legally possible, the Council has sought to increase discretionary fees and charges annually in line with inflation, as measured by CPI plus 2% (at November).

The Council has previously taken the decision that certain discretionary services should move towards a break-even position, and some specific services must be provided at a net nil subsidy to the taxpayer wherever possible, and in these cases fees and charges may already be increased at a higher rate should it be required. Any other deviations from the strategy of increases by CPI plus 2% have to be explained and reported.

Generally speaking, charges are optimised to a level where we are reasonably confident they will not deter use of the service or impact on achievement of the policy objectives the Council is pursuing. We are conscious of the price sensitivity for some areas of our charges and that some charges can be in the upper quartile. It is therefore important that, as part of any review, we consider charges levied by competitors, and similar local authorities, to inform our own fee setting. The charging policy and particularly the level of subsidy for some charges is under constant review, as is applicability of charging for the use of our assets, as well as services.

Reviewing service provision

As part of further developing the Medium Term Financial Strategy, we continue to investigate the appropriateness of service subsidies and also the funding of functions which are the responsibility of other bodies. We recognise that we should give careful consideration to each individual case before reaching a decision and should apply the test: "should the Council Tax payer pay for all or part of a service or should it be the service user?" Many of the services we provide are subsidised and during the budget setting process, service managers are now asked to review the extent of the subsidies and are asked the following questions:

- Does the service support the Council's high level objectives and priorities?
- Is the service statutory or discretionary and, in either case, do we have discretion over the level at which it is provided?
- What proportion or sections of the population use the service?
- What is the level of subsidy?
- What is the reason for the service subsidy?
- Is there a strategy in place which determines the level of subsidy going forward?
- Is there the opportunity to make greater use of or secure external grants to reduce the subsidy?
- What impact would a reduction in the level of subsidy have on the service?
- How much income could be generated by a removal of the subsidy?
- Should any removal be subject to a phasing in process and if so over how many years?

Changes made to service delivery are required to include an equality analysis.

The Council will seek to manage all its assets cost-effectively, including opportunities to optimise income from the use of these assets, offering concessions (as appropriate and affordable) to encourage use by all members of our community in pursuit of our priorities. We will also continue to explore opportunities in regard to our assets, including long term leases which effectively constitute a transfer, whereby community groups take on responsibility for the operation and overall facility management.

The Local Government Act 2003 permits local authorities to trade with both public and private sector bodies. In broad terms authorities may not trade for profit unless that activity is performed through a company. The Localism Act 2012, while vesting a general power of competence, retains this requirement. Section 4 of the Localism Act restricts the ability of a local authority to carry out activities for a commercial

purpose using the general power. Section 4 (2) provides that if a local authority undertakes a commercial activity in exercise of its general power it must only do so through a company (for this purpose this covers limited or “registered society” i.e. formerly co-operative, community benefit society or industrial provident society). Consequently, these provisions will be considered when exploring alternative service delivery models.

Risks and General Fund Level

Best Practice guidance issued by CIPFA states that the general fund balance may be between 5% and 100% of net expenditure. With an original estimate of net revenue expenditure of around £16 million and a Bellwin Threshold of £32k, the minimum 5% balance is in the region of £800k.

When setting the budget each year, the Council considers the potential impact of the risks in the assumptions made and adjusts the minimum 5% figure accordingly. Where there is the potential for increased volatility in funding levels, it is prudent to **either** consider increasing the minimum level of General Fund balance to around 10% to cope with any sudden change in income **or** to review the allowance made for a specific risk

Specific risks are identified and classified as high, medium or low risk and allowance is made for a proportion of the risk value. For high risk items, 50% of the risk value, for medium risk, 25% of the risk value and for low risk items, 0%. This is regarded as an appropriate risk management approach to risk likelihood and value.

In addition to the General fund balance, the Authority maintains a number of earmarked reserves and provisions, one of which is the special reserve.

Use of Capital

The Council still has had fairly significant capital balances, but it is expected that they will be diminished during the life of the MTFs. This will mean that future capital expenditure will need to be funded from new capital receipts (generated from sales of land and buildings) or from borrowing. It needs to be recognised that the supply of surplus land with development potential is reducing and therefore the opportunity for future capital receipts is limited. When the Council needs to borrow then it needs to ensure that it is affordable, prudent and sustainable (Prudential Code for Capital Finance in Local Authorities, 2017). The affordable criteria relates to the revenue impact of borrowing, which is made up of interest charges and a Minimum Revenue Provision (MRP). These costs can be significant.

Local Authority capital spending improves services, protects the value of the Council’s portfolio of assets and replaces existing assets as they reach the end of their useful lives. Capital investment is not a luxury since without it, local authorities would become unable to deliver even their existing services let alone respond to new demands. For all capital schemes there needs to be a consideration of the benefits that are generated, which will include:

- Is it necessary for continued service provision? What would the impact on the service be? Is the service statutory or does it deliver the Council’s vision or high level objectives?
- If it is for investment, what return does it provide? Does it still provide a positive return if it was necessary to borrow money to fund the project (including MRP)? What is the level of risk in the expected returns?

These reviews should be carried out on an annual basis, and before any scheme commences. Inclusion on the capital programme is for the purposes of future planning, and does not guarantee that a scheme will go ahead.

ANNEX 2 Roles and Responsibilities

The role of Councillors in this process is to:

- set vision and strategic direction
- agree the Council's high level objectives and priorities
- agree the specific projects to achieve the priorities
- agree the rolling MTFS including decisions on the time-frame to be covered, external influences to be considered and included, strategy for use of balances, assumptions regarding government support and the implications of doing so, income policy, capital strategy and setting indicative council tax levels for future years
- scrutinise proposals for funding prioritisation and de-prioritisation as set out by managers
- decide between options presented
- decide on options for increasing fees & charges where a proposed approach varies from that outlined in the income policy
- give due consideration to both the risks and opportunities of options as the council necessarily explores new avenues
- discuss savings suggestions and income generation proposals with relevant Officers.
- take a corporate overview of the budget position once decisions on individual prioritisation have been taken.
- set the level of Council Tax each year
- scrutinise and monitor the budget throughout the year

The role of all Officers is to:

- put forward suggestions for actions to deliver the objectives and new opportunities
- ensure that existing spend and new projects link to and deliver one (or more) of the Council's objectives
- manage services to deliver the actions in the plan within budget allocations
- explore alternative ways of delivering services, including assessment of risks and opportunities
- propose income generation and service transformation opportunities
- report on value for money and continuous improvement
- monitor the budget throughout the year and ensure spending is in line with policy requirements

The Senior Management Team is led by the Chief Executive. The group:

- facilitates a critical review of existing expenditure. This involves reviewing the base position, challenging existing budget allocations and creating the ability to reallocate money to strategic priorities.
- reviews service areas in comparison to other authorities to determine opportunities for improvements and cost reductions, or to explain reasons for any differences.
- reviews bids for additional resources/ investments. All bids will be subject to detailed scrutiny before inclusion in the draft budget. The strategic priorities fund can be allocated by SMT for short-term investments.

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**FINANCE, AUDIT AND RISK COMMITTEE
30 JULY 2018**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE MONITORING 2018/19

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

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for financial year 2018/19, as at the end of the first quarter. The forecast variance is a **£30k increase** on the net working budget of £15.178m for 2018/19, with an ongoing impact in future years of **£55k decrease**. There are a number of significant variances within these totals, which are detailed and explained in table 2. The report also provides an update on;

- the progress with the planned delivery of efficiencies (paragraph 8.3)
- the use of budget approved to be carried forward from 2017/18 (paragraph 8.4)
- performance against the four key corporate 'financial health' indicators (para 8.5)
- the overall forecast funding position for the Council and factors that may affect this (paras 8.6 – 8.13)

2. RECOMMENDATIONS

- 2.1 That Cabinet note this report.
- 2.2 That Cabinet approves the changes to the 2018/19 General Fund budget, as identified in table 3 and paragraph 8.2, a £30k increase in net expenditure.
- 2.3 That Cabinet notes the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £55k decrease in net expenditure. These will be incorporated in the draft revenue budget for 2019/20.
- 2.4 That Cabinet notes the proposal, as outlined in paragraph 8.3, to recruit two additional officers to embed the principles of commercialisation and develop commercial activity across the authority and approves the required adjustments within the overall budgetary framework to the 2018/19 budget.

3. REASONS FOR RECOMMENDATIONS

3.1 Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5th June 2018.

7. BACKGROUND

7.1 Council approved the revenue budget in February 2018 of £14.747 million. As at quarter 1 the working budget has increased to £15.178 million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2018/19	14,747
Quarter 3 2017/18 Revenue Monitoring report - 2018/19 budget changes approved by Cabinet (March 2018)	85
2017/18 Revenue Outturn Report - 2017/18 budget changes approved by Cabinet (June 2018)	346
Current Working Budget	15,178

7.2 Following the restructure of senior management, effective from 1st June 2018, the Council is now managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate in 2018/19.

Table 2 – Service Directorate Budget Allocations

	Current Net Direct Working Budget
Service Directorate	£k
Chief Executive	1,479
Commercialisation	(349)
Customers	3,588
Legal & Community	2,101
Place	4,645
Regulatory Services	1,253
Resources	2,461
TOTAL	15,178

8. RELEVANT CONSIDERATIONS

REVENUE INCOME AND EXPENDITURE FORECASTS

8.1 Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final column details if there is expected to be an impact on next year's (2019/20) budget:

Table 3 - Summary of forecast variances

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Estimated Impact on 2019/20 £k
Investment Interest Income	-167	-255	-88	Increase in forecast income is due to higher than planned cash balances available for investment at the start of the year following the re-profiling of the Capital Programme reported in the second half of 2017/18.	0
Hitchin Town Hall Community Facility Income	-134	-100	+34	Access to the Terrace Gallery and Café remains restricted while a resolution is sought to the ownership of 14 and 15 Brand Street, and therefore hinders operations at the Community Facility. The adverse impact of a further delay to the opening of the Museum and Gallery was identified as a financial risk for 2018/19.	0
Revenues and Benefits – Government Grant Income	-513	-474	+39	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).	+39

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Estimated Impact on 2019/20 £k
Property Search Fees – Government Grant Income	0	-33	-33	NHDC has received the final allocation of new burdens monies from Central Government in respect of the national property search fee dispute.	0
Careline net direct trading surplus	-278	-239	+39	Deterioration in forecast net position is in part due to increased equipment maintenance costs, while a higher level of staff turnover has also meant greater than planned use of agency staff in quarter one.	0
District Election Costs	+90	+125	+35	The 2018 district election was a standalone election and covered a larger population than the average assumed in the original budget estimates, which meant printing and postage costs were higher than budgeted. In addition, ballots were held in Royston for both Parish Council and District elections, with additional staffing resource therefore required.	0
Processing of comingled recyclates	+251	+381	+130	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. An increase in the net cost of recycling due to changes in the sale price of commodities was identified as a financial risk for 2018/19.	+130
Net income from the Garden Waste Collection Service	-197	-427	-230	The original estimate 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.	-235
Planning Control – Legal Fees	1	80	+79	NHDC lost an appeal in quarter one against a planning committee decision to refuse permission (against officer recommendation) for an application for housing in Whitwell. The appellant was also successful with a costs award application and compensation costs have now been agreed. Costs incurred associated with an appeal against a planning decision were identified as a financial risk for 2018/19.	0
Total of explained variances	-947	-942	+5		-66
Other minor balances	16,758	16,744	25		11
Overall Total	17,178	17,208	+30		-55

- 8.2 Cabinet are asked to approve the differences highlighted in the table above (a £30k increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2019/20 budget (a £55k increase in budget) which will be incorporated in to the 2019/20 budget setting process (recommendation 2.3).
- 8.3 Following the restructure of senior management and the appointment of the Service Director - Commercialisation, it is proposed to recruit 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. The Special reserve is an earmarked reserve with a current balance of £1.7million that has been maintained for purposes which include the resourcing of transformational change projects. It is then expected that the ongoing costs of the two new roles (beyond the initial two year period) will be funded from additional income generated from projects undertaken. Cabinet are asked to note this proposal and approve the requisite changes to the 2018/19 working budget (recommendation 2.4). The impact on 2019/20 and beyond will be incorporated into the 2019/20 budget setting process.
- 8.4 The original approved budget for 2018/19 (and therefore working budget) included efficiencies totalling £2,706k, which were agreed by Council in February 2018. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However there can be off-setting variances which mean that is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast is a net overachievement of £229k. This relates to:
- Net income from Garden Waste charging; -£235k, as highlighted and explained in table 3 above.
 - Paperless reporting; +£6k, included within other minor balances total in table 3. The forecast £6k underachievement of the estimated £14k efficiency is due to the printing of meeting papers and agendas, with secure delivery to Members, continuing until January 2019.
- 8.5 The working budget for 2018/19 includes budgets totalling £515k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2017/18 but was delayed into 2018/19. At quarter one, it is forecast that all carry forward budgets will be spent in 2018/19.

- 8.6 There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the income to date and forecasts for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. Currently three of the indicators are green and one is amber.
- 8.7 The reason for the amber status for car parking fees income is that the original budget includes the additional £100k of income anticipated from the outcomes of the Strategic Parking Review. Whilst the income budget may still be achieved from an increase in parking activity over the year, at the end of quarter one no additional income raising measures have been implemented and hence there is a risk that the budgeted level of income may not be met.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual income to date £k	Forecast income for the year £k	Projected Variance £k
Planning Application Fees (including fees for pre-application advice)	Green	(940)	(224)	(940)	0
Land Charges	Green	(174)	(42)	(174)	0
Car Parking Fees	Amber	(1,906)	(403)	(1,906)	0
Parking Penalty Charge Notices	Green	(532)	(102)	(532)	0

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8 The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates. The Council was notified by Central Government in February 2018 of the amount of New Homes Bonus it could expect to receive in 2018/19 and planned accordingly.
- 8.9 Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of others (e.g. County Council). Each organisation has a share of the balance on the Collection Fund account. At the end of 2017/18 there was surplus on our share of Council Tax of approximately £260k and a deficit on Business Rates of around £650k. In respect of business rates, where a deficit is declared to Central Government (actual business rates income collected is lower than originally anticipated) NHDC is required to make a corresponding additional contribution to the Business Rates Collection Fund in the following year.

- 8.10 The Council is also subject to a business rates levy from Central Government as it is expected that NHDC will collect more in business rates than the baseline need determined by Central Government. In 2017/18 this levy amount was £685k. In 2018/19 however NHDC is a member of the re-formed Hertfordshire Business Rates Pool, with the expectation that this should reduce the levy amount required. The original estimate prepared by Hertfordshire County Council, calculated around the time the pooling application was submitted to Central Government, indicated that NHDC would benefit from a pooling gain (in the form of a reduced levy amount payable) of approximately £400k. An updated estimate will be provided at Q2.
- 8.11 Central Government have implemented a number of reliefs to reduce the burden of business rates and therefore promote business growth. The Council receives compensation for these reliefs in the form of a grant, which goes in to our funds rather than the Collection Fund. In 2018/19 NHDC expects to receive grant totalling £1.435m. This amount is held in an earmarked reserve and will be used to fund the additional contribution required to the Business Rates Collection Fund (following the deficit recorded for 2017/18) and the Business Rates levy amount payable for 2018/19.
- 8.12 The projection of the level of business rates income retained by the Council in 2018/19 at the start of the year was based on the Council's business rates funding baseline need, as published annually by central government in the Local Government Finance Settlement. The baseline need is approximately the minimum that the Council can expect to retain from the total of business rates collected. At quarter one this forecast has been updated to reflect the Council's estimate of business rates income in 2018/19 with the result being an increase of £222k in the funding expectation.
- 8.13 Table 5 below summarises the impact on the general fund of the position at quarter one detailed in this report.

Table 5 – General Fund impact

	Working Budget £k	Q1 Projected Outturn £k	Difference £k
Brought Forward balance (1st April 2018)	(7,403)	(7,403)	-
Projected Net Spend	15,178	15,208	30
Funding (Council Tax, Business Rates, RSG)	(14,823)	(15,045)	(222)
Contribution to Collection Fund	0	656	656
Funding from Business Rate Relief Grant Earmarked Reserve	0	(656)	(656)
Carried Forward balance (31st March 2019)	(7,048)	(7,240)	(192)

- 8.14 The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 2). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,424k, and by the end of quarter one a total of £243k have come to fruition. The three identified risks realised in the first quarter relate to;
- Lower than anticipated income from Hitchin Town Hall due to the delay to the opening of the North Herts Museum and Cafe (as detailed in table 3). £34k
 - Increase in the net cost of recycling services following adverse movement in market prices (as detailed in table 3). £130k
 - Legal costs award after successful appeal against a planning application decision (as detailed in table 3). £79k

Table 6 – Known financial risks

	£'000
Original allowance for known financial risks	1,424
Known financial risks realised in quarter 1	(243)
Allowance for known financial risks remaining	1,181

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". The Council is under a duty to maintain a balanced budget and to maintain a prudent level of reserves.

10. FINANCIAL IMPLICATIONS

- 10.1 Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

- 15.1 None.

16. CONTACT OFFICERS

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**FINANCE, AUDIT AND RISK COMMITTEE
30 JULY 2018**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2018/19

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

1. EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital programme for 2018/19, as at the end of June 2018, and indicating its impact upon the approved capital programme for 2019/20 - 2021/22. The current estimate is a decrease in spend in 2018/19 of £2.298million from that reported in the Capital Programme Outturn report for 2017/18, and a decrease in spend in future years of £1.340 million. The most significant individual changes are the withdrawal of the Royston Leisure Centre project in 2018/19 and the removal of Disabled Facilities Grants which are now administered by Hertfordshire County Council.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of **£15.857million** in 2018/19 on the capital programme, paragraph 8.2 refers, and approves the adjustments detailed in table 3 which resulted in a net decrease on the working estimate of **£0.958million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2018/19 onwards as a result of the revised timetable of schemes detailed in table 2, decreasing the estimated spend in future years 2019/20 by **£1.340million**.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4, and the requirement to keep the capital programme under review for affordability.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve revisions to the capital programme.
- 3.2 Cabinet is required to ensure that the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

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 5th June 2018.

7. BACKGROUND

- 7.1 In February 2018, Council approved the capital programme for 2018/19 to 2021/22. This was subsequently amended by reprogramming from 2017/18.
- 7.2 The Medium Term Financial Strategy for 2018 to 2023 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for invest to save schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

8. RELEVANT CONSIDERATIONS

Capital Programme 2018/19

- 8.1 Summaries of the capital programme by Council priority and service are shown in appendix A together with the overall funding analysis and projected availability of capital funding balances (set aside and capital receipts). The full programme is detailed in Appendix B and shows the revised costs to date, together with the expected spend from 2018/19 to 2021/2 and the funding source for each capital scheme.
- 8.1.1 Capital expenditure for 2018/19 is estimated to be **£15.857million**. This is a reduction of **£2.298million** on that forecast in the 2017/18 Capital Programme Outturn report (reported to Cabinet on 19th June 2018). The decrease in spend in 2018/19 is largely due to the withdrawal of the Royston Leisure Centre project and re-profiling of spend into future years. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2018/19 £M	2019/20 £M	2020/21 to 2021/22 £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	5.644	0	0
Revised Capital estimates at start of 2017/18	18.155	1.828	2.737
Changes at Q1 detailed in this report	-2.298	0.150	-1.490
Current Capital Estimates	15.857	1.978	1.247

8.3 Table 2 lists changes to the 2018/19 Capital Programme and the impact in subsequent years:

Table 2: Scheme Timetable Revision:

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

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
Property Improvements	875	100	-775	The forecast spend reflects the works that are planned for the current year. Condition surveys will be reviewed prior to next year to determine the works that will be undertaken, and if possible the allocated budget will be reduced.	775
Lairage Multi Storey repairs	124	4	-120	A Structural Engineer is currently performing monitoring works to ascertain the level of work required. The monitoring will last all year with work due to commence in 19/20	120
Disabled Facilities Grants	745	300	-445	All new casework is being handled by the Hertfordshire Home Improvement Agency (hosted by Hertfordshire County Council). The grant funding will still be spent within North Hertfordshire. The only possible additional approvals will be in respect of unforeseen works on	-2,235

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
				cases where grants have already been approved. The commitments should progressively reduce as works are completed on our outstanding cases and all cases are expected to be completed this financial year. Any costs incurred will be matched by a transfer of Grant from HCC.	
Total Minor (under £25k) slippage on other projects			0		0
Total Revision to Budget Profile			-1,340		-1,340

8.4 There are also changes to the overall costs of schemes in 2018/19. These changes total a net decrease of £0.958million and are detailed in Table 3. The increases in respect of three schemes (outdoor pools, storage facilities and AV equipment) are above the thresholds set in the Financial Regulations and require Cabinet's approval for them to continue:

Table 3: Changes to Capital Schemes Commencing in 2018/19:

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

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Comments
Royston Leisure Centre Extension	1,000	0	-1,000	The proposed business case for the development was determined not to be financially viable within the remaining contract period and therefore it will not progress.
St Marys Car Park Repair Steps	35	0	-35	The current health and safety issues have been resolved using revenue budgets
Hitchin & Letchworth Outdoor Pool Showers & Toilets	150	185	35	Tenders received for the outdoor pool toilet and shower refurbishment projects were not within the original budget, therefore, an increase is requested.

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Comments
Storage Facilities-mezzanine floor	25	50	25	Original budget was based on an estimate, whereas the proposed increase is based on a detailed design and quotes that have been received.
Record Council Meetings – Audio Visual (AV) equipment	64	81	17	The increase partly reflects inflationary increases since the budget was originally set. The increase will also fund higher quality speakers and the ability to operate from the dias as well as from a central cabinet.
Other minor changes			0	
Total revision to scheme spend			-958	

Capital Programme 2018/19 Funding onwards

8.5 Table 4 below shows how the Council will fund the 2018/19 capital programme.

Table 4: Funding the Capital Programme:

	2018/19 Balance at start of year £M	2018/19 Forecast Additions £M	2018/19 Estimated Use of Funding £M	2018/19 Forecast Balance at end of year £M
Useable Capital Receipts	3.090	2.500	(3.803)	1.787
Set-aside Receipts	10.252		(10.252)	0
<i>S106 receipts</i>			(0.356)	
<i>Other third party grants and contributions</i>			(1.446)	
Total	13.342	2.500	(15.857)	1.787

8.6 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment.

9. LEGAL IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that dependent on the value of the scheme and on this basis over the duration of the programme it should be anticipated that the total spend over the period could be around £2.2million higher than the estimated £19.082million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. A cash balance of £1.0million currently earns the Authority approximately £8k per year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments as cash balances reduce. When the Capital Financing Requirement (CFR) reaches zero the Council will need to consider borrowing for further capital spend and will need to start charging a minimum revenue provision to the general fund for the cost of capital. The CFR at the 31 March 2018 was negative £10.3million.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one-year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software). Some of the major capital projects have been included as the Council's Top Risks (e.g. North Hertfordshire Museum). The Top Risks are monitored by the Finance, Audit and Risk Committee.
- 11.2 Cabinet receives quarterly reports on project progress and forecast spend

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 For any individual new 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 Cabinet agreement of the investment. A sound management of funds ensures that the Council has sufficient monies to support the improvement of district facilities.

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 paragraphs 12. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications.

15. APPENDICES

- 15.1 Appendix A, Capital Programme Summary 2018/19 onwards.
Appendix B, Capital Programme Detail including Funding 2018/19 onwards,

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17. BACKGROUND PAPERS

- 17.1 2018/19 Budget Estimates Book.

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By Council Priority

Priority	2017/18 Outturn £	2018/19 Working Estimate £	2018/19 Revised Estimate £	2018/19 Movement £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Attractive & Thriving	2,501,300	4,401,600	2,506,600	-1,895,000	895,000	300,000	0
Prosper & Protect	335,600	5,289,200	5,289,200	0	150,000	0	0
Responsive & Efficient	6,646,800	8,464,000	8,061,300	-402,700	932,600	380,000	567,000
Grand Total	9,483,700	18,154,800	15,857,100	-2,297,700	1,977,600	680,000	567,000

By Service Group

Service Group	2017/18 Outturn £	2018/19 Working Estimate £	2018/19 Revised Estimate £	2017/18 Movement £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Advances & Cash Incentives	0	1,096,000	1,096,000	0	0	0	0
Asset Management	5,532,300	4,311,000	3,561,500	-749,500	925,000	0	0
Building Control	0	0	0	0	0	0	0
CCTV	21,700	0	0	0	0	0	0
Community Services	364,000	746,500	746,500	0	250,000	120,000	0
Computer Software and Equipment	142,600	270,600	287,400	16,800	537,600	115,000	507,000
Corporate Items	0	2,510,600	2,510,600	0	0	0	0
Growth Fund Projects	0	713,000	713,000	0	0	0	0
Leisure Facilities	2,600,300	2,810,400	1,845,400	-965,000	85,000	385,000	0
Museum & Arts	141,700	4,900	4,900	0	0	0	0
Parking	11,300	1,154,800	999,800	-155,000	120,000	0	0
Renovation & Reinstatement Grant Expenditure	669,800	805,000	360,000	-445,000	60,000	60,000	60,000
Town Centre Enhancement	0	0	0	0	0	0	0
Waste Disposal	0	0	0	0	0	0	0
Waste collection	0	3,732,000	3,732,000	0	0	0	0
Grand Total	9,483,700	18,154,800	15,857,100	-2,297,700	1,977,600	680,000	567,000

Capital Funding Source

Service Group	2017/18 Outturn £	2018/19 Working Estimate £	2018/19 Revised Estimate £	2017/18 Movement £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Capital Receipt	1,436,700	5,356,200	3,803,200	-1,553,000	1,977,600	393,000	567,000
Government Grant	704,900	1,508,000	1,063,000	-445,000	0	0	0
IT Reserve	0	0	0	0	0	0	0
Revenue Contribution / Borrowing	0	540,400	0	-540,400	0	0	0
Other Capital Contributions	480,900	163,000	383,100	220,100	0	250,000	0
S106 Funding	471,000	355,600	355,600	0	0	37,000	0
Drawdown of cash investments	6,390,200	10,231,600	10,252,200	20,600	0	0	0
Grand Total	9,483,700	18,154,800	15,857,100	-2,297,700	1,977,600	680,000	567,000

Capital Receipt Analysis

	2017/18 Outturn £	2018/19 Working Budget £	2018/19 Revised Funding £	2017/18 Movement £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
B/fwd Capital Receipt Funding	-3,223,516	-3,090,265	-3,090,265	0	-1,787,065	-3,809,465	-4,166,465
Add: Capital Receipts Received in Year	-1,303,449	-2,500,000	-2,500,000	0	-4,000,000	-750,000	-1,250,000
Less: Capital Receipts Used in Year	1,436,700	5,356,200	3,803,200	-1,553,000	1,977,600	393,000	567,000
C/Fwd Capital Receipt Funding	-3,090,265	-234,065	-1,787,065	-1,553,000	-3,809,465	-4,166,465	-4,849,465

Set-Aside Receipts Analysis

	2017/18 Outturn £	2018/19 Working Budget £	2018/19 Revised Funding £	2017/18 Movement £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
B/fwd Set-Aside Receipt Funding	-16,642,400	-10,252,200	-10,252,200	0	0	0	0
Set-Aside Receipts Received in Year	0	0	0	0	0	0	0
Set -Aside Receipts Used in Year	6,390,200	10,231,600	10,252,200	20,600	0	0	0
C/Fwd Set-Aside Receipt Funding	-10,252,200	-20,600	0	20,600	0	0	0

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Project		2017/18 Outturn Funding £	2018/19 Working Funding £	2018/19 Revised Funding £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
40 KVA UPS Device or Battery Replacement	Capital Receipt	0	0	0	0	7,000	0	0
40 KVA UPS Device or Battery Replacement Total		0	0	0	0	7,000	0	0
Additional PC's - Support Home Working/OAP	Capital Receipt	0	0	0	0	13,000	0	0
Additional PC's - Support Home Working/OAP	Drawdown of cash investments	12,700	0	0	0	0	0	0
Additional PC's - Support Home Working/OAP Total		12,700	0	0	0	13,000	0	0
Additional Storage	Capital Receipt	0	0	0	0	13,000	0	0
Additional Storage	Drawdown of cash investments	0	12,000	12,000	0	0	0	0
Additional Storage Total		0	12,000	12,000	0	13,000	0	0
Alternative to safeword tokens for staff/members working remotely	Capital Receipt	0	0	0	0	8,000	0	0
Alternative to safeword tokens for staff/members working remotely Total		0	0	0	0	8,000	0	0
Area Visioning	Drawdown of cash investments	26,400	0	0	0	0	0	0
Area Visioning Total		26,400	0	0	0	0	0	0
Back-up Diesel 40 KVA Generator (DCO)	Capital Receipt	0	0	0	0	20,000	0	0
Back-up Diesel 40 KVA Generator (DCO) Total		0	0	0	0	20,000	0	0
Baldock Town Hall project	Drawdown of cash investments	0	74,500	74,500	0	0	0	0
Baldock Town Hall project	S106 Funding	1,500	800	800	0	0	0	0
Baldock Town Hall project Total		1,500	75,300	75,300	0	0	0	0
Bancroft Gardens Play Area	Capital Receipt	36,800	2,200	2,200	0	0	0	0
Bancroft Gardens Play Area	S106 Funding	11,500	3,400	3,400	0	0	0	0
Bancroft Gardens Play Area Total		48,300	5,600	5,600	0	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Capital Receipt	0	24,100	24,100	0	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Other Capital Contributions	0	80,000	80,000	0	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	S106 Funding	0	65,900	65,900	0	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA) Total		0	170,000	170,000	0	0	0	0
Cabinet Switches - 4 Floors	Capital Receipt	0	0	0	0	0	0	18,000
Cabinet Switches - 4 Floors	Drawdown of cash investments	6,700	0	0	0	0	0	0
Cabinet Switches - 4 Floors Total		6,700	0	0	0	0	0	18,000
Cadcorp Local Knowledge & Notice Board Software	Capital Receipt	0	13,500	13,500	0	0	0	0
Cadcorp Local Knowledge & Notice Board Software Total		0	13,500	13,500	0	0	0	0
Capitalised Pension Fund Contribution	Drawdown of cash investments	0	2,500,000	2,500,000	0	0	0	0
Capitalised Pension Fund Contribution Total		0	2,500,000	2,500,000	0	0	0	0
Channel shift - processing of housing register applications	Drawdown of cash investments	0	40,000	40,000	0	0	0	0
Channel shift - processing of housing register applications Total		0	40,000	40,000	0	0	0	0
Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth	Capital Receipt	0	35,000	35,000	0	0	0	0
Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth Total		0	35,000	35,000	0	0	0	0
Core Backbone Switch	Capital Receipt	0	0	0	0	20,000	0	0
Core Backbone Switch Total		0	0	0	0	20,000	0	0
Council property improvements following condition surveys	Capital Receipt	63,600	315,000	100,000	-215,000	775,000	0	0
Council property improvements following condition surveys	Drawdown of cash investments	0	19,600	0	-19,600	0	0	0
Council property improvements following condition surveys	Revenue Contribution / Borrowing	0	540,400	0	-540,400	0	0	0
Council property improvements following condition surveys Total		63,600	875,000	100,000	-775,000	775,000	0	0
Customer Self Serve Module	Capital Receipt	0	3,000	3,000	0	0	0	0
Customer Self Serve Module Total		0	3,000	3,000	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution	Capital Receipt	0	30,000	30,000	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution Total		0	30,000	30,000	0	0	0	0
Cycle Strategy implementation (GAF)	Government Grant	0	278,000	278,000	0	0	0	0
Cycle Strategy implementation (GAF) Total		0	278,000	278,000	0	0	0	0
Decommissioning of Pavilions	Capital Receipt	0	120,000	120,000	0	0	0	0
Decommissioning of Pavilions Total		0	120,000	120,000	0	0	0	0
Decommissioning of Play Areas	Capital Receipt	0	130,000	130,000	0	0	0	0
Decommissioning of Play Areas Total		0	130,000	130,000	0	0	0	0
Dell Servers	Capital Receipt	0	0	0	0	65,000	0	0
Dell Servers Total		0	0	0	0	65,000	0	0
Demolition of Bancroft Hall	Drawdown of cash investments	0	600	600	0	0	0	0
Demolition of Bancroft Hall Total		0	600	600	0	0	0	0
Dog / Litter Bins	Capital Receipt	32,600	0	0	0	0	0	0

Project		2017/18 Outturn Funding £	2018/19 Working Funding £	2018/19 Revised Funding £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Dog / Litter Bins Total		32,600	0	0	0	0	0	0
DR Set-up	Capital Receipt	0	0	0	0	25,000	0	0
DR Set-up	Drawdown of cash investments	0	47,400	47,400	0	0	0	0
DR Set-up Total		0	47,400	47,400	0	25,000	0	0
EA Agreement (MS EA) TN agreed funded within 4571 Account	Capital Receipt	-5,200	0	0	0	199,600	0	450,000
EA Agreement (MS EA) TN agreed funded within 4571 Account	Drawdown of cash investments	0	0	0	0	0	0	0
EA Agreement (MS EA) TN agreed funded within 4571 Account Total		-5,200	0	0	0	199,600	0	450,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Capital Receipt	28,000	0	0	0	0	39,000	0
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract Total		28,000	0	0	0	0	39,000	0
Email Encryption Software Solution	Capital Receipt	0	0	0	0	0	45,000	0
Email Encryption Software Solution Total		0	0	0	0	0	45,000	0
Energy efficiency measures	Drawdown of cash investments	51,500	8,500	8,500	0	0	0	0
Energy efficiency measures Total		51,500	8,500	8,500	0	0	0	0
Financial System upgrade - E-series	Drawdown of cash investments	4,400	0	0	0	0	0	0
Financial System upgrade - E-series Total		4,400	0	0	0	0	0	0
Food Waste Caddies	Drawdown of cash investments	0	132,000	132,000	0	0	0	0
Food Waste Caddies Total		0	132,000	132,000	0	0	0	0
Green Infrastructure implementation (GAF)	Government Grant	0	185,000	185,000	0	0	0	0
Green Infrastructure implementation (GAF) Total		0	185,000	185,000	0	0	0	0
Hitchin & Royston Fitness Equipment	Other Capital Contributions	480,900	0	0	0	0	0	0
Hitchin & Royston Fitness Equipment Total		480,900	0	0	0	0	0	0
Hitchin Multi Storey Safety and Equalities Act improvements	Drawdown of cash investments	700	39,300	39,300	0	0	0	0
Hitchin Multi Storey Safety and Equalities Act improvements Total		700	39,300	39,300	0	0	0	0
Hitchin Outdoor Pool Showers and Toilets	Drawdown of cash investments	0	75,000	92,500	17,500	0	0	0
Hitchin Outdoor Pool Showers and Toilets Total		0	75,000	92,500	17,500	0	0	0
Hitchin Swimming Centre Lift	Drawdown of cash investments	3,100	96,900	96,900	0	0	0	0
Hitchin Swimming Centre Lift Total		3,100	96,900	96,900	0	0	0	0
Hitchin Swimming Pool Car Park extension	Capital Receipt	28,200	497,700	497,700	0	0	0	0
Hitchin Swimming Pool Car Park extension Total		28,200	497,700	497,700	0	0	0	0
Installation of trial on-street charging (GAF)	Government Grant	0	50,000	50,000	0	0	0	0
Installation of trial on-street charging (GAF) Total		0	50,000	50,000	0	0	0	0
Jackmans Central Play Area Renovation	Capital Receipt	64,500	0	0	0	0	0	0
Jackmans Central Play Area Renovation	S106 Funding	10,500	0	0	0	0	0	0
Jackmans Central Play Area Renovation Total		75,000	0	0	0	0	0	0
John Barker Place, Hitchin	Drawdown of cash investments	0	825,600	825,600	0	0	0	0
John Barker Place, Hitchin	S106 Funding	0	270,400	270,400	0	0	0	0
John Barker Place, Hitchin Total		0	1,096,000	1,096,000	0	0	0	0
Jontek Database Server	Government Grant	33,800	0	0	0	0	0	0
Jontek Database Server Total		33,800	0	0	0	0	0	0
Lairage Multi-Storey Car Par - Structural wall repairs	Drawdown of cash investments	1,700	124,000	4,000	-120,000	0	0	0
Lairage Multi-Storey Car Par - Structural wall repairs	Capital Receipt	0	0	0	0	120,000	0	0
Lairage Multi-Storey Car Par - Structural wall repairs Total		0	0	0	0	120,000	0	0
Laptops - Refresh Programme	Capital Receipt	0	6,000	6,000	0	0	6,000	0
Laptops - Refresh Programme Total		0	6,000	6,000	0	0	6,000	0
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	Capital Receipt	8,900	137,600	137,600	0	0	0	0
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration Total		8,900	137,600	137,600	0	0	0	0
Letchworth multi-storey car park - lighting	Drawdown of cash investments	0	22,700	22,700	0	0	0	0
Letchworth multi-storey car park - lighting Total		0	22,700	22,700	0	0	0	0
Letchworth Outdoor Pool safety surface	Capital Receipt	3,500	56,500	56,500	0	0	0	0
Letchworth Outdoor Pool safety surface Total		3,500	56,500	56,500	0	0	0	0
Letchworth Outdoor Pool Showers and Toilets	Drawdown of cash investments	0	75,000	92,500	17,500	0	0	0
Letchworth Outdoor Pool Showers and Toilets Total		0	75,000	92,500	17,500	0	0	0
Mandatory Disabled Facility Grants	Government Grant	645,800	745,000	300,000	-445,000	0	0	0
Mandatory Disabled Facility Grants Total		645,800	745,000	300,000	-445,000	0	0	0
New Blade Enclosure	Capital Receipt	0	0	0	0	32,000	0	0
New Blade Enclosure Total		0	0	0	0	32,000	0	0
NH Museum & Community Facility	Drawdown of cash investments	92,700	4,900	4,900	0	0	0	0
NH Museum & Community Facility	Other Capital Contributions	0	0	0	0	0	0	0
NH Museum & Community Facility	S106 Funding	49,000	0	0	0	0	0	0
NH Museum & Community Facility Total		141,700	4,900	4,900	0	0	0	0
North Herts Leisure Centre Development	Capital Receipt	892,400	0	0	0	0	0	0
North Herts Leisure Centre Development	Drawdown of cash investments	744,100	220,100	0	-220,100	0	0	0
North Herts Leisure Centre Development	Other Capital Contributions	0	0	220,100	220,100	0	0	0

Project		2017/18 Outturn Funding £	2018/19 Working Funding £	2018/19 Revised Funding £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
North Herts Leisure Centre Development	S106 Funding	65,600	0	0	0	0	0	0
North Herts Leisure Centre Development Total		1,702,100	220,100	220,100	0	0	0	0
Norton Common Wheeled Sports improvements	Drawdown of cash investments	7,600	0	0	0	0	0	0
Norton Common Wheeled Sports improvements	S106 Funding	142,100	9,300	9,300	0	0	0	0
Norton Common Wheeled Sports improvements Total		149,700	9,300	9,300	0	0	0	0
Off Street Car Parks resurfacing and enhancement	Capital Receipt	0	91,200	91,200	0	0	0	0
Off Street Car Parks resurfacing and enhancement Total		0	91,200	91,200	0	0	0	0
PC's - Refresh Programme	Capital Receipt	0	14,000	14,000	0	17,000	17,000	17,000
PC's - Refresh Programme	Drawdown of cash investments	20,000	0	0	0	0	0	0
PC's - Refresh Programme Total		20,000	14,000	14,000	0	17,000	17,000	17,000
Permit gateway Citizen - to enable customers to renew permits on line	Capital Receipt	0	10,700	10,700	0	0	0	0
Permit gateway Citizen - to enable customers to renew permits on line Total		0	10,700	10,700	0	0	0	0
Portable Pendants	Government Grant	15,000	0	0	0	0	0	0
Portable Pendants Total		15,000	0	0	0	0	0	0
Private Sector Grants	Capital Receipt	24,000	60,000	60,000	0	60,000	60,000	60,000
Private Sector Grants Total		24,000	60,000	60,000	0	60,000	60,000	60,000
Provide housing at market rents.	Capital Receipt	0	2,150,000	804,700	-1,345,300	150,000	0	0
Provide housing at market rents.	Drawdown of cash investments	0	700,000	2,045,300	1,345,300	0	0	0
Provide housing at market rents. Total		0	2,850,000	2,850,000	0	150,000	0	0
Purchase of 14 & 15 Brand Street	Drawdown of cash investments	0	550,000	550,000	0	0	0	0
Purchase of 14 & 15 Brand Street Total		0	550,000	550,000	0	0	0	0
Recording of Council Meetings	Capital Receipt	0	64,000	80,800	16,800	0	0	0
Recording of Council Meetings Total		0	64,000	80,800	16,800	0	0	0
Refurbishment and improvement of community facilities	Capital Receipt	165,400	670,600	670,600	0	250,000	120,000	0
Refurbishment and improvement of community facilities Total		165,400	670,600	670,600	0	250,000	120,000	0
Refurbishment of DCO	Drawdown of cash investments	5,288,100	0	0	0	0	0	0
Refurbishment of DCO Total		5,288,100	0	0	0	0	0	0
Refurbishment of lifts at Lairage Car Park	Capital Receipt	0	360,000	360,000	0	0	0	0
Refurbishment of lifts at Lairage Car Park Total		0	360,000	360,000	0	0	0	0
Relay concrete slabs that surround the Hitchin outdoor pool.	Capital Receipt	30,600	1,500	1,500	0	0	0	0
Relay concrete slabs that surround the Hitchin outdoor pool. Total		30,600	1,500	1,500	0	0	0	0
Renew pathways at Bancroft Recreation Ground, Hitchin	Capital Receipt	14,600	23,100	23,100	0	0	0	0
Renew pathways at Bancroft Recreation Ground, Hitchin	S106 Funding	12,300	0	0	0	0	0	0
Renew pathways at Bancroft Recreation Ground, Hitchin Total		26,900	23,100	23,100	0	0	0	0
Renovate play area Howard Park, Letchworth	Capital Receipt	0	0	0	0	0	75,000	0
Renovate play area Howard Park, Letchworth Total		0	0	0	0	0	75,000	0
Renovate play area King George V Recreation Ground, Hitchin	Capital Receipt	0	0	0	0	75,000	0	0
Renovate play area King George V Recreation Ground, Hitchin Total		0	0	0	0	75,000	0	0
Renovate play area, District Park, Gt. Ashby	Capital Receipt	0	75,000	75,000	0	0	0	0
Renovate play area, District Park, Gt. Ashby Total		0	75,000	75,000	0	0	0	0
Replace and enhance lighting at St Mary's Car Park	Capital Receipt	0	60,000	60,000	0	0	0	0
Replace and enhance lighting at St Mary's Car Park Total		0	60,000	60,000	0	0	0	0
Replace items of equipment, Brook View, Hitchin	Capital Receipt	10,000	0	0	0	0	0	0
Replace items of equipment, Brook View, Hitchin Total		10,000	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	Capital Receipt	0	0	0	0	0	10,000	0
Replace items of play equipment Holroyd Cres, Baldock Total		0	0	0	0	0	10,000	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Capital Receipt	0	0	0	0	10,000	0	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth Total		0	0	0	0	10,000	0	0
Replace items of play equipment, Chiltern Road, Baldock	Capital Receipt	0	10,000	10,000	0	0	0	0
Replace items of play equipment, Chiltern Road, Baldock Total		0	10,000	10,000	0	0	0	0
Replace main pool grating and overflow gullies at Hitchin Swim Centre	Capital Receipt	1,100	0	0	0	0	0	0
Replace main pool grating and overflow gullies at Hitchin Swim Centre Total		1,100	0	0	0	0	0	0
Replacement of neighbourhood CCTV equipment	Capital Receipt	21,700	0	0	0	0	0	0
Replacement of neighbourhood CCTV equipment Total		21,700	0	0	0	0	0	0
Replacement of Walsworth Common Access Bridge	Drawdown of cash investments	113,600	3,000	3,000	0	0	0	0
Replacement of Walsworth Common Access Bridge Total		113,600	3,000	3,000	0	0	0	0
Replacement SAN	Capital Receipt	0	0	0	0	110,000	0	0
Replacement SAN Total		0	0	0	0	110,000	0	0
Royston Leisure Centre extension	Drawdown of cash investments	0	1,000,000	0	-1,000,000	0	0	0

Project		2017/18 Outturn Funding £	2018/19 Working Funding £	2018/19 Revised Funding £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Royston Leisure Centre extension Total		0	1,000,000	0	-1,000,000	0	0	0
S106 Projects	S106 Funding	170,700	0	0	0	0	0	0
S106 Projects Total		170,700	0	0	0	0	0	0
Scheme Alarms	Government Grant	10,300	0	0	0	0	0	0
Scheme Alarms Total		10,300	0	0	0	0	0	0
Security - Firewalls	Capital Receipt	0	0	0	0	0	0	14,000
Security - Firewalls	Drawdown of cash investments	9,900	14,000	14,000	0	0	0	0
Security - Firewalls Total		9,900	14,000	14,000	0	0	0	14,000
Serby Avenue Play Area renovation, Royston	Capital Receipt	0	0	0	0	0	0	0
Serby Avenue Play Area renovation, Royston	S106 Funding	7,800	0	0	0	0	0	0
Serby Avenue Play Area renovation, Royston Total		7,800	0	0	0	0	0	0
Smithsons Recreation Ground	Capital Receipt	500	0	0	0	0	0	0
Smithsons Recreation Ground	S106 Funding	0	0	0	0	0	0	0
Smithsons Recreation Ground Total		500	0	0	0	0	0	0
Software for personalised bills and annual billing.	Capital Receipt	0	6,000	6,000	0	0	0	0
Software for personalised bills and annual billing. Total		0	6,000	6,000	0	0	0	0
Splash Park at Bancroft Recreation Ground	Drawdown of cash investments	0	10,900	10,900	0	0	0	0
Splash Park at Bancroft Recreation Ground	S106 Funding	0	800	800	0	0	0	0
Splash Park at Bancroft Recreation Ground Total		0	11,700	11,700	0	0	0	0
Splash Park at Priory Memorial, Royston	Drawdown of cash investments	0	15,000	15,000	0	0	0	0
Splash Park at Priory Memorial, Royston Total		0	15,000	15,000	0	0	0	0
St Mary's car park. Structural repairs to steps	Capital Receipt	0	35,000	0	-35,000	0	0	0
St Mary's car park. Structural repairs to steps Total		0	35,000	0	-35,000	0	0	0
Storage Facilities	Capital Receipt	15,500	24,500	50,000	25,500	0	0	0
Storage Facilities	Drawdown of cash investments	0	0	0	0	0	0	0
Storage Facilities Total		15,500	24,500	50,000	25,500	0	0	0
Tablets - Android Devices	Capital Receipt	0	0	0	0	8,000	8,000	8,000
Tablets - Android Devices	Drawdown of cash investments	7,000	10,000	10,000	0	0	0	0
Tablets - Android Devices Total		7,000	10,000	10,000	0	8,000	8,000	8,000
Telephony system	Drawdown of cash investments	0	10,600	10,600	0	0	0	0
Telephony system Total		0	10,600	10,600	0	0	0	0
Town Centre pay & display machines for on-street charging	Capital Receipt	0	235,000	235,000	0	0	0	0
Town Centre pay & display machines for on-street charging Total		0	235,000	235,000	0	0	0	0
Transport Plans implementation (GAF)	Government Grant	0	250,000	250,000	0	0	0	0
Transport Plans implementation (GAF) Total		0	250,000	250,000	0	0	0	0
Ultra Violet water disinfection system	Capital Receipt	0	50,000	50,000	0	0	0	0
Ultra Violet water disinfection system Total		0	50,000	50,000	0	0	0	0
Walsworth Common Pavilion - contribution to scheme	Capital Receipt	0	0	0	0	0	13,000	0
Walsworth Common Pavilion - contribution to scheme	Other Capital Contributions	0	0	0	0	0	250,000	0
Walsworth Common Pavilion - contribution to scheme	S106 Funding	0	0	0	0	0	37,000	0
Walsworth Common Pavilion - contribution to scheme Total		0	0	0	0	0	300,000	0
Walsworth Common Pitch Improvements	Capital Receipt	0	15,000	15,000	0	0	0	0
Walsworth Common Pitch Improvements	Other Capital Contributions	0	83,000	83,000	0	0	0	0
Walsworth Common Pitch Improvements	S106 Funding	0	5,000	5,000	0	0	0	0
Walsworth Common Pitch Improvements Total		0	103,000	103,000	0	0	0	0
Walsworth Common Reconstruction of Car Park	Capital Receipt	0	30,000	30,000	0	0	0	0
Walsworth Common Reconstruction of Car Park Total		0	30,000	30,000	0	0	0	0
Waste and Street Cleansing Vehicles	Drawdown of cash investments	0	3,600,000	3,600,000	0	0	0	0
Waste and Street Cleansing Vehicles Total		0	3,600,000	3,600,000	0	0	0	0
Grand Total		9,483,700	18,154,800	15,857,100	-2,297,700	1,977,600	680,000	567,000
Summary								
	Capital Receipt	1,436,700	5,356,200	3,803,200	-1,553,000	1,977,600	393,000	567,000
	Government Grant	704,900	1,508,000	1,063,000	-445,000	0	0	0
	Revenue Contribution / Borrowing	0	540,400	0	-540,400	0	0	0
	Other Capital Contributions	480,900	163,000	383,100	220,100	0	250,000	0
	S106 Funding	471,000	355,600	355,600	0	0	37,000	0
	Drawdown of cash investments	6,390,200	10,231,600	10,252,200	20,600	0	0	0
		9,483,700	18,154,800	15,857,100	-2,297,700	1,977,600	680,000	567,000

**FINANCE, AUDIT AND RISK COMMITTEE
30 JULY 2018**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: TREASURY MANAGEMENT FIRST QUARTER 2018/19

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

1. EXECUTIVE SUMMARY

- 1.1 To inform Cabinet of the Treasury Management activities in the first quarter of 2018/19 to the end of June. The current forecast is that the amount of investment interest expected to be generated during the year is £0.255 million. This is an increase of £0.088 million on the original budget.
- 1.2 To inform Cabinet of the performance against the Prudential and Treasury indicators detailed in the appendix to this report. During the first quarter the Council has operated within the treasury and prudential indicators as set out in the Treasury Management Strategy Statement and in compliance with the Council's approved Treasury Management Practices.

2. RECOMMENDATIONS

- 2.1 Cabinet is asked to note the position of Treasury Management activity as at the end of June 2018.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The primary principle governing the Council's investment criteria is the security of its investments, which includes credit, liquidity and market risk (see section 8 below). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk (e.g. unrated Building Societies and non-UK investments), which would be reflected in the Treasury Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Treasury Strategy. Our current strategy has meant that we have been able to achieve a yield that is above the average achieved by the Link Hertfordshire and Buckinghamshire Investment Benchmarking Group.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There are quarterly updates with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5 June 2018.

7. BACKGROUND

- 7.1 Members adopted the 2018/19 Treasury Strategy at the meeting of full Council on the 8 February 2018.
- 7.2 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2018/19. The service includes:

- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
- Information on investment counterparty creditworthiness
- Technical updates
- Access to the Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

- 8.1 Appendix A provides the Treasury Management update at the end of the first quarter.
- 8.2 In summary, during the first quarter the Council has operated within the treasury and prudential indicators as set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

- 8.3 The Council generated £0.52 million of interest during the first two months of 2018/19. The average interest rate on all outstanding investments at the 31 May was 1.00%.
- 8.4 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.
- 8.5 **Credit Risk** is the possibility that other parties fail to pay back amounts that have been invested by the Council. This risk is mitigated by assessing the counterparties with whom the Council invests. For banks and building societies that are credit rated by Fitch, they must have a rating of BBB or above. Where building societies do not have a credit rating, then the level of investment is assessed against the overall assets of the institution. Due to the different risks that they are exposed to, the Council splits its investments between banks and building societies and can have a maximum of 75% invested in each.
- 8.6 The Council also invests with other Local Authorities and Public Corporations (when appropriate opportunities are available) and in Money Market Funds. Money Market Funds are limited to 25% of total investments. A Money Market Fund is a regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments.
- 8.7 As at 31 May the split of investments was:

Banks	27%
Building Societies	38%
Local Authorities	27%
Money Market Funds	8%

- 8.8 **Liquidity Risk** is the possibility that the Authority may not have funds available to meet its commitments to make payments.
- 8.9 Cash flow forecasts are prepared to determine the level of funds required to meet the day to day commitments with investments split between the Cash Manager and the In-House team. The level of funds made available to the Cash Manager, currently a total balance of £13.0 million, is primarily determined by the level of expenditure on the Council's Capital programme. The In-House balance of investments at the end of May was £23.1 million.
- 8.10 **Market Risk** is the possibility that financial loss might arise as a result of changes in interest rates.
- 8.11 Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risk of long term deals are two fold:
- (i) The longer the time period the longer the investment is exposed to default.
 - (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures.

- 8.12 Members have indicated that they are prepared to accept the market risk within the limits expressed in the Treasury Strategy, which allows up to 40% of investments to be invested for longer than 364 days at any one time. At the end of the first quarter the Council had 2.7% (£1.0 million) invested for longer than 364 days. During the first quarter, no new deals were placed for longer than a year (three £1.0 million deals were placed for one year).
- 8.13 The **return (or yield)** that the Council achieves is affected by both the level of risk as well as general market conditions. It continues to prove challenging to find acceptable counterparties willing to pay a reasonable return on cash investments, either long or short term. This issue is expected to continue during 2018/19 and beyond.
- 8.14 The Council had a negative **Capital Financing Requirement** (CFR) of £10.3 million (as at 31st March 2018), which means that it has a high level of cash investments. The CFR is expected to reduce to approximately £1.4 million by the end of the year if capital expenditure matches the current profile of spend. The Council currently only has historic borrowing which is not cost effective to repay early.

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2 Section 151 of the Local Government Act 1972 states that:
“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 9.3 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 The amount of investment interest expected to be generated during the year is £0.255 million.
- 10.2 Potential options for inclusion in the Treasury Strategy are considered as and when identified. Any proposals to amend the Strategy are reported to Full Council, via Cabinet, for approval.

11. RISK IMPLICATIONS

- 11.1 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependant on banks and building societies need for borrowing. The introduction of the Funding for Lending Scheme which allows financial institutions access to low cost funding from Government for an extended period has impacted on their need to borrow and the rates at which they are prepared to borrow.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

- 15.1 Appendix A Treasury Management Update June 2018.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

Treasury Strategy 2018/19
CIPFA Prudential Code for Capital Finance in Local Authorities

Treasury Management Update

Quarter Ended 30 June 2018

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Treasury Management Update

Quarter Ended 30 June 2017

The CIPFA, (Chartered Institute of Public Finance and Accountancy), Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, midyear/quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 8th February 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in higher rates in periods up to 24 months.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2018.

The average level of funds available for investment purposes during the quarter was **£30.6m**. The Council holds **£22.0m** core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the quarter of the year is 0.87%.

Investments at 31st May 2018

	Amount	Average
	£	Interest Rate %
Managed By NHDC		
Banks	10,100,000	0.68
Local Authorities	10,000,000	0.87
Money Market Fund	3,000,000	0.63
NHDC To Total	23,100,000	0.81
Managed by Tradition		
Building Societies	14,000,000	1.08
Tradition Total	14,000,000	1.08
TOTAL	37,100,000	1.00

In percentage terms, this equates to:

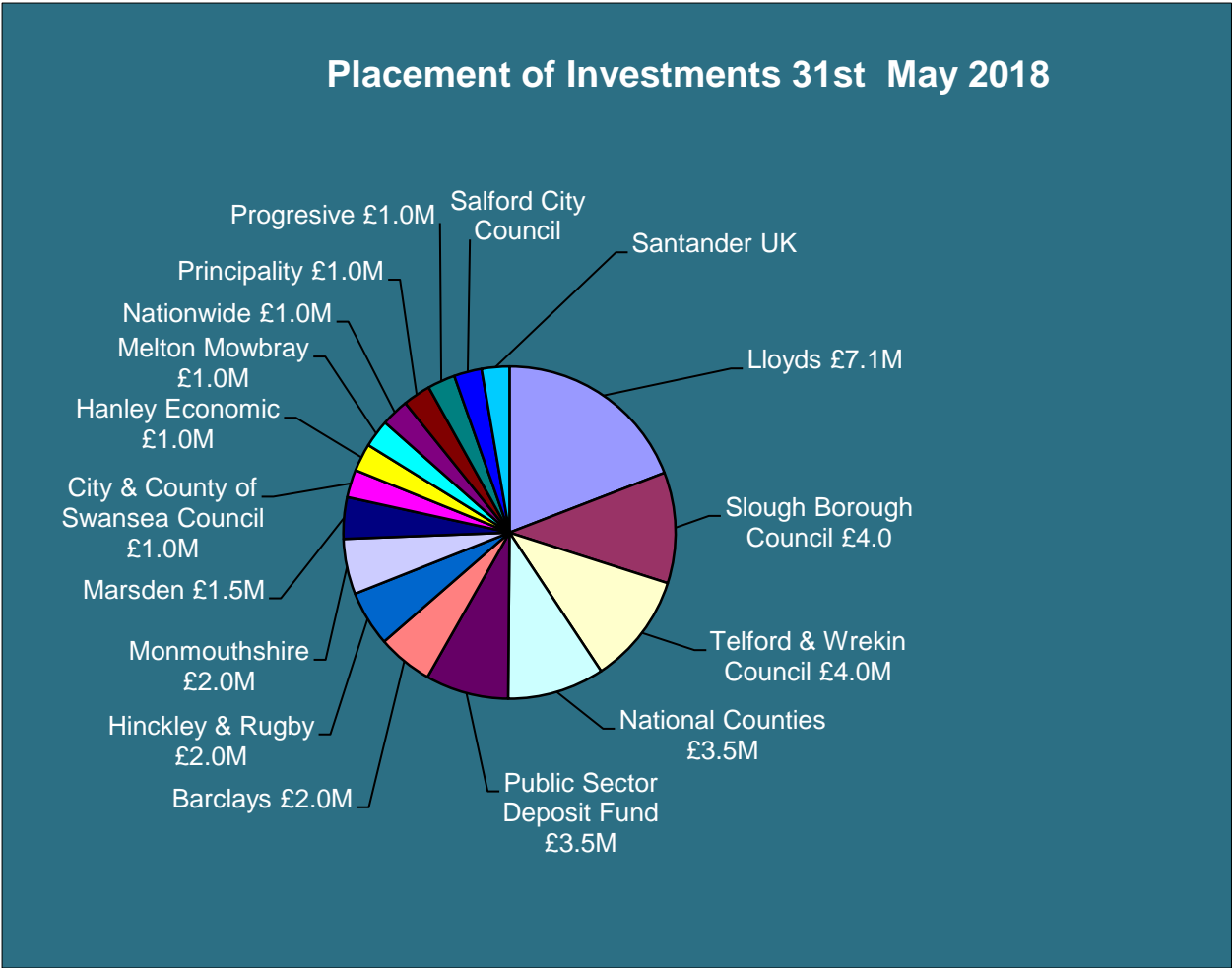
	Percentage
Money Market Funds	8.09
Local Authorities	26.95

Banks	27.22
Building Societies	37.74

27.22
37.74

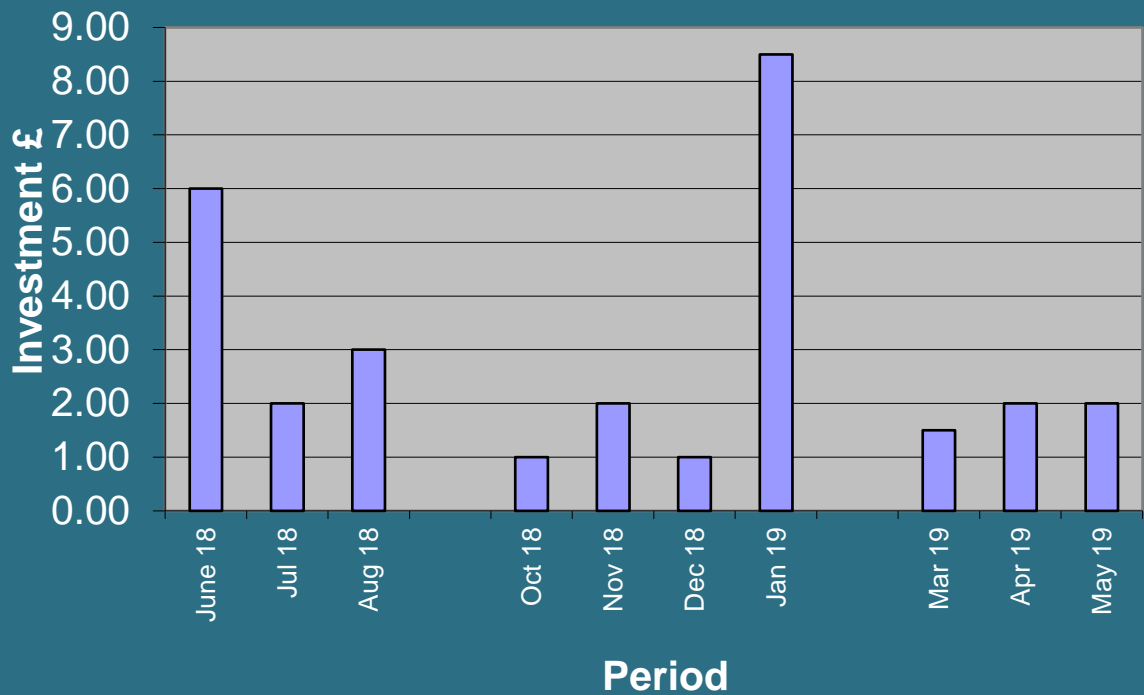
The approved 18/19 strategy is that no more than 75% of investments should be placed with Building Societies.

The pie chart below shows the spread of investment balances as at 31 May 2018. This is a snapshot in time that demonstrates the diversification of investments.



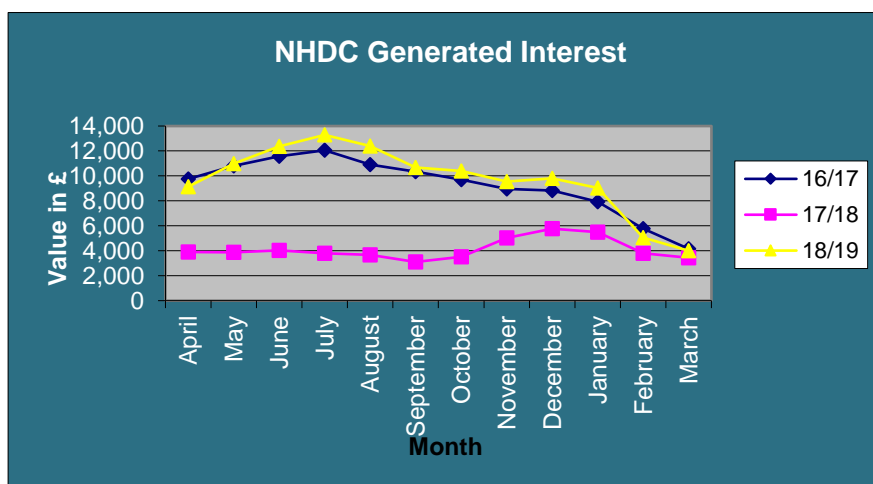
The chart below shows the Council's investment maturity profile. (This does not include the £3.0M held in the Public Sector Deposit Fund Money Market account or £5.1M held in the Lloyds current account which can be called back on any day).

Investment Maturity 31st May 2018

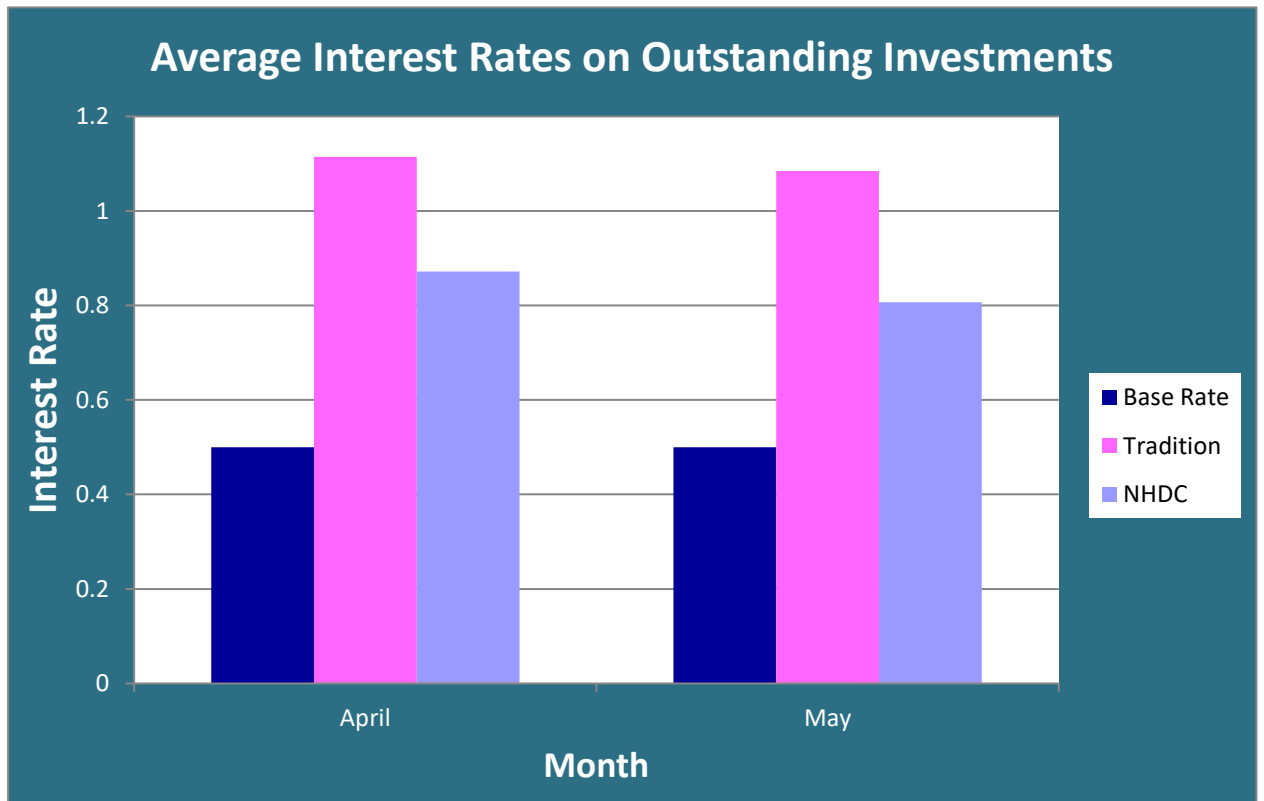


The Council's Original budgeted investment return for 2018/19 was £0.167M. The projection at the first quarter is £0.255M which is an increase of £0.088M on the Original budget. The increase is mainly due to a higher level of balances.

The graph below shows the level of interest expected to be generated from the cash available in-house over the year which is maintained to ensure adequate cash flow. Cash balances have historically reduced over January to March each year as there are less Council tax receipts in February and March.



The graph below shows the average rate of interest on outstanding investments at 31st May.



The Service Director - Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the third quarter of 2017/18.

2. New Borrowing

No borrowing was undertaken during the quarter.

The Council's capital financing requirement (CFR) for 2018/19 is expected to be -£0.021m (-£10.3m at the end of 17/18). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The CFR is negative as the Council has more cash investments than borrowing. The balance of external and internal borrowing is generally driven by market conditions.

It is anticipated that long term borrowing will not be undertaken during this financial year.

Loans Outstanding at 31 May 2018

	Amount	Average Interest Rate	Cumulative Rate
	£	%	%
Public Works Loans Board	455,661	9.5255	8.5646

3. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

4. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (affordability limits), are included in the approved TMSS.

During the quarter ended 30 June 2018, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 1.

APPENDIX 1: Prudential and Treasury Indicators for 2018-19 as at 30 June 2018

Treasury Indicators	2018/19 Budget £'000	Quarter 1 (May) Actual £'000
Authorised limit for external debt The maximum level of borrowing set by Council which can not be exceeded.	15,000	456
Operational boundary for external debt The limit beyond which external debt is not normally expected to exceed, based on gross external debt	5,000	456
Gross external debt Based on current level of debt, plus an allowance for additional debt if it was required	3,456	456
Investments Level of cash investments, expect actuals to exceed this early in the year as linked to capital spend during the year.	(24,500)	(37,100)
Net borrowing Investments less Gross external debt	(21,044)	(36,644)

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	16	16
12 months to 2 years	17	17
2 years to 5 years	56	56
5 years to 10 years	92	92
10 years to 20 years	25	25
20 years to 30 years	250	250

The budget represents the structure of borrowing that was in place at the start of the year. No new borrowing has been taken out so the position is still in line with budget.

Upper limit of fixed interest rates based on net debt At least 70% of investments should be at fixed rates. Currently only the Money Market Fund investment is at a variable rate.	70% - 100%	78%
Upper limit of variable interest rates based on net debt See above.	0% - 30%	22%
Upper limit for principal sums invested over 364 days Up to 40% of investments (by value) can be for more than one year.	Max 40%	2.7%

Prudential Indicators	2018/19 Budget £'000	Quarter 3 (May) Actual £'000
Capital expenditure The budget is the expected capital expenditure during the year. The actual total is spend to date. Only at the end of the year will actuals get close to the budget.	18,155	337
Capital Financing Requirement (CFR) The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The year end position reflects the budgeted capital spend during the year. A negative total means that there is no borrowing requirement.	(0,010)	(10,315)
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream Net expenditure/ (income) from borrowing and investments, as a % of the Council's net revenue. This is negative as the Council is currently receiving a net income from investments.	-1.6	-1.6

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**FINANCE, AUDIT & RISK COMMITTEE
30 JULY 2018**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2017/18
REPORT OF THE SENIOR POLICY OFFICER
EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]
COUNCIL OBJECTIVE: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1. For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the 2017/18 year. This Statement reviews the Council's governance arrangements for the 2017/18 period. It also proposes an Action Plan to update/ improve those arrangements. This report also provides amendments on the proposed Actions since the draft AGS was reported to Committee in June 2018.

2. RECOMMENDATIONS

That the Committee:

- 2.1. approves the AGS and amended Action Plan (Appendix A);

3. REASONS FOR RECOMMENDATIONS

- 3.1 The AGS must be considered by Members of the Committee and approved under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234, before the Statement of Accounts.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan during 2018/19 will provide the Committee with assurances that NHDC is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. As reported to the Committee on 18th June 2018 [[Draft Annual Governance Statement \(AGS\) 2017/18 report](#)] the governance review and AGS format is based on a (new) 2016 CIPFA/ SOLACE Framework.
- 5.2. At the Committee on 18th June, Members were asked to provide feedback on the draft AGS by 31st July. A draft of the self- assessment was sent to SIAS and the external auditors Ernst & Young on 12th June for comment.
- 5.3. Any comments, or queries (or updated documents) have been included or links provided following this consultation as appropriate. The AGS appended at A is therefore the final version following consultation. In consideration of the draft statement the committee suggested the following: the inclusion of the actions to address the recently published Gender Pay Gap report within the AGS action plan for 2018/19, updating of the Executive Member responsibilities and the status of the outstanding complaint submitted to the Information Commissioner's Office (ICO). The Senior Policy Officer undertook to address each and provide an update at the July meeting.

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 Reference is made to the report of 18th June 2018, which sets out the legal requirements for preparation, review and approval of the AGS, together the matters included/ and parties involved in that process. As indicated this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 *before* the relevant authority approves the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which for this year onwards is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It has been loaded on the Council's Corporate Governance internet page and will remain on the site until the next review is undertaken [[SMT AGS self-assessment document](#)].

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIFPA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced.

8.2. The AGS for 2017/18 is attached as Appendix A for approval.

8.3. The Council will include the approved 2017/18 AGS as an Appendix to the Statement of Accounts as it has in previous years.

8.4. Amendments to the AGS Action Plan are set out in Appendix B and will be reported to this Committee again in or around September 2018 and March 2019.

9. LEGAL IMPLICATIONS

9.1 Under the Local Audit and Accountability Act ('LAAA') 2014/ AAR 2015 Regulations the 2017/18 AGS must be approved by this Committee by 31st July for financial year 2017/18. Otherwise the legal implications are set out above.

9.2 The Terms of Reference of this Committee under 10.1.5(h) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" Review and approval of the AGS is a non-executive function and falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

10.1 The final AGS is to be approved and accompany the Statement of Accounts. Other than this there are no direct financial implications arising from this report.

11. RISK IMPLICATIONS

11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and an Action Plan to improve governance identified and monitored.

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 equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Senior Policy Officer. Where appropriate an impact assessment will be undertaken and mitigation measures identified. The Senior Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council's website³.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications relating to this matter.

15. APPENDICES

- 15.1 Appendix A – AGS and Action Plan for 2017/18;

³ <https://www.north-herts.gov.uk/home/council-performance-and-data/policies/equality-and-diversity>

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17. BACKGROUND PAPERS

- 17.1. The Finance, Audit & Risk Report and Appendix A (18th June 2018 linked above).
- 17.2. The SMT AGS self-assessment is on the Corporate Governance Page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This contains links to further relevant background documents, reports, Policies and Guidance. The AGS also refers to documents and where possible, links have been provided to relevant pages and or documents.

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NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Introduction

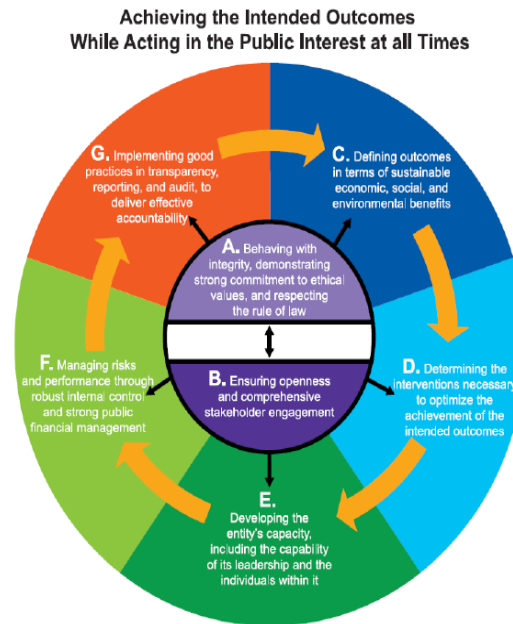
North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required¹ to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/ the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance in Local Government:

The Governance Framework comprises of systems, processes, culture and values, by which the authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS' prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Stronger Leader model that provides leadership, develops and sets policy.
- ❖ A decision making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by Senior Management Team (SMT) and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ A SMT, which includes the statutory officers and provides effective corporate management.

How NHDC complies with the 2016 Governance Framework

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2016 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance (and an action plan).

Set out below is a summary of *some of the central ways* that NHDC complies with the 2016 Framework Principles. The detailed arrangements, policies, meetings, information and examples are described / links provided in the SMT AGS self-assessment document on the Corporate Governance page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance> or can be obtained from, NHDC, District Council offices, Gernon Road, Letchworth Garden City SG6 3JF.

¹ Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015.

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

What NHDC has or does:

- ❖ Operates Codes of Conduct for Members and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes.
- ❖ Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/ or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person/ Reserve Independent Person (IPs), Employment Committee and Full Council).
- ❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The IPs are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provides an annual report to Full Council in May. This is designed to promote shared values with Members, employees, the community and partners.
- ❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees and decision making practices are outlined. The Council's Constitution is reviewed annually.
- ❖ The Council's Anti-Fraud and Corruption Policy, which includes the Anti-Money Laundering Policy, Anti-Bribery, Employee Personal Conflicts of Interest, Benefits Anti-Fraud, and Whistleblowing Policies and Fraud Plans, have been reviewed and are available on the internet.² Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard

Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti-Bribery Policy.

- ❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.
- ❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Chief Executive and Chief Finance Officer (CFO) the MO has a statutory duty/powers to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. A Legal advisor attends Full Council, Cabinet and regulatory Committees – such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services maintain records of advice provided.
- ❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed, and reports directly to the Chief Executive. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.
- ❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012 and equality requirement); part 1 reports are published and available for inspection as per the statutory requirements. Committee and Member Services provide support to the Council, Councillors and the

democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and despatch agendas and reports in advance of the meetings and take and despatch minutes and decision sheets after the meetings. Delegated decisions are retained by them and they provide support for Councillor Surgeries.

- ❖ SIAS reviewed the Council's Ethical Policies in 2016 and confirmed an overall Substantial level of assurance that effective controls are in operation.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

What NHDC has or does:

- ❖ The Council's vision is one created by all partners of the North Herts Partnership and this and relevant documents are made available on the Council's website with Service Plans that show how the Objectives will be delivered in practical terms [[Corporate Objectives page](#)].
- ❖ Open Data is published on the NHDC website, and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data Sets on NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].
- ❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities [[Annual Monitoring Report 2016-2017](#)].
- ❖ There is an effective Committee administration process in places so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings, are available online and through a new Modern.gov system [[Council meetings page](#)].
- ❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory

² <http://www.north-herts.gov.uk/home/council-performance-and-data/policies/anti-fraud-and-corruption-policy>

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exemption requirements³ apply. Report authors consider such matters with the designated Constitutional “Proper Officer”. Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website for [Environmental Health](#), Licensing [[Public Registers and Delegated Decisions](#)] and Planning applications/ decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions⁴ are on the Council’s website [[Delegated Decisions](#)].

The Constitution also sets out what information is available to the public and how to engage with the Council [[Section 3](#)].

The Council has a 5 year Consultation Strategy for 2016-2020 [[Consultation Strategy 2016-2020](#)] that sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation. A Statement of Community Involvement sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement - Adopted September 2015](#)].

❖ The Council conducts a District Wide Survey every two years [[2017 District Wide Survey - Key Findings Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council’s Citizens Panel, which is used for consultation.

❖ The Council also has an internal Staff Consultation Forum, a Joint Staff Consultative

Committee (JSCC) and a Staff Consultation Policy [[Staff Consultation Policy](#)].

❖ The Council’s Customer Service Strategy aims to put people first [[Customer Service Strategy page](#)]. The Communications Strategy and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use social media sites and text alerts is geared towards engagement with IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District’s residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

What NHDC has or does:

❖ The Council has a Corporate Objectives and Plan approval / review process and its vision is based on partnership aspirations. The Objectives provide the foundations for the Service planning process. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council’s vision of equality and diversity [[Corporate Equality page](#)]. These issues are monitored through the report / decision making process and Annual [Cumulative Equality Impact Assessment 2017-18](#).

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What NHDC has or does:

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officer). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an ‘options’ appraisal called “Alternative options considered” and risk analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council’s agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Project Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk & Opportunities Management Strategy 2017-20](#) These are recorded on the Risk Register and monitored through the Council’s Pentana performance/ risk management software monitoring system. Project management lessons are logged and detailed in Corporate Lessons Learnt Log.

❖ The Council’s Financial Regulations [[Constitution PART B Section 19 Financial Regulations](#)] are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5 year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Corporate Plan/ business planning process. Budget workshops are provided to Political groups prior to budget setting/ budget approval and these help to optimise achievements.

³ Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

⁴ Made under The Openness of Local Government Bodies Regulations 2014/2095

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Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

What NHDC has or does:

❖ The Council recognises the importance of employees, planning recruitment and development. The People Strategy incorporates the Workforce Development Plan [[People Strategy 2015-2020](#); [Workforce profile](#)] and was developed with the Corporate Objectives (Priorities as was), Corporate Projects and workforce demands anticipated. A vacancy management process provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management qualifications and has Investors in People accreditation.

Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking LG Futures, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.

❖ Service area employees attend / are part of groups – such as Legal PLP and Herts First where good practice can be shared.

❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control, and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council.

❖ The Leader is part of Herts Leaders Group and East of England Leaders Group, has weekly Chief Executive/ Leader Briefings. Political Liaison Board (PLB) meetings are held and opposition Member/ shadow Member briefings provided by the Chief Executive/ Service Directors and other senior officers.

❖ Bi-monthly SMT meetings are held where Policy, Projects, Performance and Risk are (amongst other things) monitored and the Council encourages close working liaison between Senior Officers and Executive Members.

❖ Following the recently published Gender Pay Gap report, NHDC officers will take actions to implement the recommendations of the report.

Principle F: Managing risks and performance through robust internal control and strong public financial management

What NHDC has or does:

❖ The Council has extensive mechanisms in place to manage risk and performance, through the Risk Management Team/ Group/ Member champion/ Risk & Opportunities Management Strategy 2017-20 and [Risk & Opportunities Management Policy Statement 2017-20](#). The Pentana system supports the logging/ monitoring process by identifying individual risks and 'ownership'. These are reported to SMT/ FAR, O&S Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Annual report on Risk Management (April 2017-March 2018) also proposes an action plan for 2018/19 to maintain the Council's effective and strong risk management processes.

❖ SIAS' reviews of Risk Management and Financial systems during 2017/18 provided an overall Substantial assurance.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

What NHDC has or does:

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the

Council's website. It contains information about the Council's services and events. The Autumn Outlook– Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits/ (additional on request) and present progress reports against these, an Annual Assurance Statement Internal audit/ opinion report of the Head of Internal Audit on the work undertaken. On an annual basis SIAS is required to evidence its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). An external review is required at least once every five years and this was last carried out in January 2016. In SIAS' Opinion report for 2016/17: 'The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective and has the processes in place to deliver robust assurance work.

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom 2017/18 and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/ Audit completion certificate and Annual Audit Letter).

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Review of Effectiveness

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Statement/ Opinion on the work undertaken. During 2017/18 SIAS reported on 35 areas of which 14 received a Substantial assurance, 3 received a moderate assurance and 2 received full assurance. The two were Non-domestic rates and the appraisal process. All key financial/ risk systems/ contract management were also reviewed.. Corporate Project Management, Hitchin town hall (HTH) – operation, Cyber risks and Tree Surveying received Moderate levels of assurance. Recommendations are detailed in the June 2018 SIAS report to FAR Committee [[2017/18 Annual Assurance Statement and Internal Audit Report](#)]. SIAS had provided an overall opinion of "Substantial Assurance" in respect of the Council's Financial and Non-Financial Systems. Some of the recommendations have been implemented and outstanding ones will be taken forward and monitored through the 2018/19 reports to FAR Committee. SIAS also review the effectiveness of the FAR Committee. Their conclusions for [2017/18](#) were that the FAR committee was substantially compliant.

The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The last Annual Audit Letter presented to the FAR Committee in November 2017 was very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources, [[NHDC Annual Audit Letter 2016-17](#)]. The most recent External Audit Update report issued [[External Audit Update report 22 March 2018](#)] indicated that there were no changes to the risk identified / value for money risk identified in previous report from January

2018 [[FAR Committee meeting January 2018](#)]. These arrangements are therefore deemed to be effective.

Assurance from self-assessment

The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Head of Service / Corporate Manager was responsible for producing their own assurance statements and an improvement action plan to rectify any identified governance weaknesses, as part of the Service Planning process. This process was reviewed with an overall SMT assurance statement provided [see⁵].

SMT is chaired by the Chief Executive, includes the MO, CFO and key senior managers. It followed the CIPFA/ SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/ sub-principles guidance examples. This was undertaken during March-June and SMT is satisfied that appropriate and overall Substantial 2016 Framework governance arrangements are in place. However, any improvement actions have been identified for 2018-19 in the Action Plan. The detailed AGS self-assessment is available on the Corporate Governance page⁶.

Assurance from Risk Management

The top risks for the Council (as reported to FAR Committee on June 2018 [[Risk Management report June 2018](#)]), are: Local Plan, North Hertfordshire Museum & Town Hall project, Managing the Council's Finances, Shared Procurement Opportunity (Waste & Street Cleansing Contract Renewal), Cyber risks, Sustainable Development of the District, Increased homelessness and use of Bed & Breakfast, Income Generation Projects, Workforce planning and the Office Accommodation Project. The first 3 scored 9 on the risk matrix:

❖ Delivery of the **Local Plan** has and remains a top risk. On 11 April 2017, Full Council approved the submission of the new Local Plan for North Hertfordshire for examination by the Secretary of State and approved the revised Local Development Scheme for North Hertfordshire⁷. This progressed through the submission/ examination stages during 2017-18.

❖ The **North Hertfordshire Museum & Town Hall project** has been a top risk for a number of years. Regular updates have been provided to Cabinet and Council during the year, with the main fit out works completed in 2016. Efforts to resolve the issues relating to 14/15 Brand Street continue. SIAS will undertake a review of the project once completed (deferred from the 2015/16 Audit Action Plan). O&S Committee has also identified a review of the project once concluded.

❖ **Management of the Council's Finances** is an ongoing top risk which is reported through the FAR Committee and Cabinet process. The MTFs, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic Objectives.

Assurance from Complaints outcomes

Local Government Ombudsman (LGO): The Council reports complaints to SMT and O&S. The summary for the period 1 April 2017 to September 2017 indicated that NHDC received 397 complaints of which 312 were complaints regarding contractors. 68% of all complaints were dealt within 10 working days.

6 complaints were made to the LGO during 2017/18 (Benefits and Tax – closed after initial enquires out of jurisdiction; Planning – Not upheld – no maladministration: Environmental Services & Public Protection - Not upheld - No maladministration: Corporate Services – Closed after initial enquiries – no further action: Planning – Upheld maladministration

⁵ <https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-objectives>

⁶ <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>

⁷ Source: Pentana

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– no injustice; Housing – Closed after initial enquires – no further action

Standards complaints involving Councillors:

During the 2017/18 year there have been seven complaints made to the Monitoring Officer (one relating to a Parish Council, two relating to Parish Councillors and four relating to District Councillors). None were upheld, although one was referred for informal mediation and not pursued when the complainants failed to co-operate. One was self-referred to the Police following an ongoing public complaint in relation to alleged Disclosable Pecuniary Interest offences and none was found to have taken place by the Police.

Whistleblowing

During 2017/18 the Council received two concerns raised by employees. One contained 4 detailed concerns relating to a variety of financial and waste related issues raised over December 2017/ January 2018. Report, evidence, findings and recommendations were reviewed by SIAS. The findings: That there be no further action, although 3 recommendations were made regarding:

- i) Reviewing income received from Garden waste collection at the end of the first financial year, keeping a watching brief on the issue and, if the issue remains unclear, seeking further specialist advice at that stage as to what any surplus can be applied to;
- ii) That all press releases containing financial information be reviewed by the Head of Finance, Performance and Asset Management (the 'Chief Finance Officer') before putting these on the Council's website or releasing these to the press (as per his offer); and

iii) Further consideration is given to the issue of employees forwarding confidential reports or information to private email accounts and/or computer, and reiterating any requirements under the Information Security Policy.

The second alleged Health and Safety in relation to reorganisation, stress and alleged issues with the Management of Health and Safety at Work Regulations 1999. An initial enquiries report did not uphold the concern on the basis that the Council had assessed the risk according to the legal requirements. There were, however, a few recommendations:

- i) That the Employee be encouraged to engage with HR (as per the Wellbeing Policy) to report any concerns regarding their stress and further assessments that may be required;
- ii) That, reference be made to risk assessments with regard the impact that a restructure/reorganisation is likely to have on the general health, safety and wellbeing of staff in the HR Wellbeing and Reorganisation Policies;
- iii) As part of any future restructure/reorganisation, that staff be reminded to discuss any and all concerns they may have as to health, safety and wellbeing with their line managers, as per the Wellbeing Policy. In response to this the Learning and Development Team hosted recent training sessions in relation to staff wellbeing, health, assertiveness and time management.

Information Commissioner's Office (ICO)

During 2017/18 the Council received 684 requests for information with 97% of these handled within the statutory deadline. Three complaints were made to the ICO during this period, The Commissioner upheld the two of the Council's decisions and the other is outstanding.

In terms of other reports/ issues there have been no formal Statutory reports issued by the MO or s151 (CFO). One decision relating to Members allowances from January 2018 (due for implementation in April 2018) was not lawful and therefore was not implemented. The Council is therefore assured that effective complaint handling and response measures are in place.

Conclusion

No significant governance issues have arisen as a result of the review of effectiveness for the 2017/18 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take the actions set out in the Action Plan below to address/ enhance its governance arrangements. Implementation will be monitored through the FAR Committee.

Clr Lynda Needham, Leader of NHDC

David Scholes, Chief Executive of NHDC

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Action Plan 2018/19

1. Implementation of Cabinet resolutions of 28 March 2017⁸ on Data Protection/ Freedom of Information SIAS review recommendation. To review and potentially introduce new Member training e-learning system from June 2017 [Service Director – Customers]
2. Executive Member for Policy, to review Member leadership/ communicating shared values (sub-principle A1ii) as part of Corporate Plan review process [Chief Executive with Group Leaders input]
3. Constitutional review to change sections 12 & 14 [Monitoring Officer].
4. Delegated Decision Guidance under consideration in respect of delegated planning decisions [Monitoring Officer/ Deputy Monitoring Officer]. Delegated Planning Decision report template being reviewed in the light of a number of court cases [Planning Control & Conservation Manager/ Planning Lawyer]
5. SAFS to roll out an e-learning anti-fraud training package for employees during 2017 [SAFS Manager]
6. IIP assessment 2017 – review outcome by March 2018 [Corporate Human Resources Manager]
7. Contract Guides to be updated to consider reflecting appropriate ethical practices [Service Director - Resources /Payment & Reconciliations Manager]
8. Job descriptions, delegations and organisational chart to be updated on website following reorganisation during 2017 [Corporate Human Resources Manager]
9. To consider ways to feedback results following consultation [Communications Manager]
10. Investigate the possibility of realistic and cost effective Social Value report/ Cumulative Analysis Action for 2017/18 [Senior Management Team]
11. Review O&S Committee once Central Government's national inquiry completed [Senior Management Team].
12. Preparation for General Data Protection Regulation 'GDPR' implementation by May 2018; Development of new Privacy forms statements and additional training for members and staff. [Service Director – Customers]
13. Implementation of any outstanding SIAS recommendations [Service Director – Resources].
14. Establish an officer group to explore the implementation of the Gender Pay Gap Action report recommendations

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⁸ <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmt=CAB&meet=103&arc=71>

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