

NORTH HERTFORDSHIRE DISTRICT COUNCIL



24 January 2020

Our Ref Council 06.04.20
Your Ref.
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To: The Chair and Members of North Hertfordshire District Council

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE COUNCIL

to be held in the

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

on

THURSDAY, 6 FEBRUARY 2020

at

7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

****MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION ON YOUR TABLET BEFORE ATTENDING THE MEETING****

Agenda **Part I**

Item	Page
1. APOLOGIES FOR ABSENCE	
2. MINUTES - 16 JANUARY 2020 To take as read and approve as a true record the minutes of the meeting of the Committee held on the	
3. NOTIFICATION OF OTHER BUSINESS Members should notify the Chairman of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chairman will decide whether any item(s) raised will be considered.	
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, wishing 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, comments and questions from the public.	
6. ITEMS REFERRED FROM OTHER COMMITTEES Any Items referred from other committees will be circulated as soon as they are available.	
7. PAY POLICY STATEMENT 2020/21 REPORT OF THE CORPORATE HUMAN RESOURCES MANAGER To consider and approve the draft Pay Policy Statement 2020/21,	5 - 18
8. REVENUE BUDGET 2020/21 REPORT OF THE SERVICE DIRECTOR – RESOURCES To consider the draft budget for 2020/21 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level.	19 - 52

9. INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY) 53 - 110
REPORT OF THE SERVICE DIRECTOR - RESOURCES

To consider the adoption of the Investment Strategy clauses in relation to the Code of Practice on Treasury Management.

10. NOTICE OF MOTIONS

To consider any motions, due notice of which have been given in accordance with Standing Order 4.8.12.

11. QUESTIONS FROM MEMBERS

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

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COUNCIL 6 FEBRUARY 2020

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: PAY POLICY STATEMENT 2020/21

REPORT OF: CORPORATE HUMAN RESOURCES MANAGER

EXECUTIVE MEMBER: COUNCILLOR MARTIN STEARS-HANSCOMB

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1 This report sets out a draft Pay Policy Statement 2020/21 (Appendix 1) for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015¹ and any other relevant legislation. The Statement incorporates elements of existing policy and practice and is required to be agreed annually.

2. RECOMMENDATIONS

- 2.1 Council is recommended to endorse the 2020/21 Pay Policy Statement attached at Appendix 1.
- 2.2 Council is also recommended to agree to delegate authority for revisions made in year to the Pay Policy Statement, to the Corporate Human Resources Manager, in consultation with the Leader. Revisions which might arise in the year include changes in structure, changes to employment benefits, subsequent pay awards agreed nationally and new legislative requirements.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

¹ The Local Government Transparency Code 2015 issued February 2015

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

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

7. BACKGROUND

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

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

References to 'Chief Officers' in this report and in the Statement are to the Chief Executive, Deputy Chief Executive and Service Directors.

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

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

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

8. RELEVANT CONSIDERATIONS

Pay Policy Statement 2019/20

8.1 The draft Pay Policy Statement 2020 /21 is attached as Appendix 1. This details:

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

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

8.3 The main changes from the 2019/20 Pay Policy Statement are:

- Progress of national pay bargaining and reference to the timing of the pay policy statement and there being no pay agreement yet in place to change the pay multiples. (Appendix 1 Para 3.7)
- An update on the progress of the exit payment cap and recovery regulations (Appendix 1 Para 3.11)
- New rates for car allowances (Appendix 1, Para 6.1)

8.4 In paragraphs 3.8 and 3.9, Council are asked to agree the limits on awards that will require approval by Full Council. As stated in the Pay Policy Statement it is recommended that this is retained at £100k. This will apply to any salary package or discretionary severance compensation payment award.

9. LEGAL IMPLICATIONS

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

- 9.2 The Council must have regard to any guidance issued or approved by the Secretary of State under Section 40 of the Act.
- 9.3 Under section 39 of the Localism Act, the Council's Pay Policy Statement must be approved by resolution of the authority, before it comes into force.
- 9.4 Council is asked to note paragraph in 3.10 and 3.11 of the Pay Policy Statement and in particular, the uncertainty of when the Public Sector Exit Payment Regulations 2016 will come into force. In the meantime payment of any severance package would be regulated by the appropriate pay policies applicable to all staff within the organisation including the most senior, in conjunction with any applicable terms and conditions of employment contracts. As soon as there is more certainty on the Regulations, the relevant pay policies will be reviewed and updated accordingly.
- 9.5 Section 4.4 (aa) of the Constitution states that Full Council will "agree any award which would exceed the financial limits set out in the Council's Pay Policy Statement". Therefore the Pay Policy Statement needs to set what this level will be.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The Pay Policy Statement reflects the practical arrangements that are in place to ensure all employees are remunerated in accordance with the requirements of the Equality Act and Public Sector Equality Duty and, in particular, through the application of a universal grading, flexible retirement scheme, and salary structure for all staff. The pay policy ensures consistency in regard to pay and remuneration in regard to individual roles, and therefore with no direct adverse impact on any single group with protected characteristics.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

15.1 Appendix 1 - North Herts District Council Draft Pay Policy Statement 2020/21.

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17. BACKGROUND PAPERS

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

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

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

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

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

17.6 The Small Business, Enterprise and Employment Act 2015.

17.7 The Enterprise Act 2016.

North Herts District Council - Pay Policy Statement 2020/21

• INTRODUCTION

- 1.1 Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and view it alongside the Local Government Transparency Code 2015. This statement outlines our current policy and matters required by the Act and the Transparency Codes relating to the pay of staff particularly senior staff and the lowest paid employees.
- 1.2 This is the ninth annual statement and covers the financial year 2020/21. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

BACKGROUND

- 2.1 Under the 1997 National Joint Committee (NJC) Single Status Agreement, Councils were required to harmonise pay and conditions for comparable posts; a requirement that affected 1.5 million public sector employees. NHDC completed its pay review in 2004, adopting Hay Job Evaluation and other elements of remuneration. The Hay method of evaluation is widely used by both public and private sector organisations. The Hay method works across the board, all posts from the Chief Executive post down are evaluated by the Hay Job Evaluation Scheme using the same criteria.
- 2.2 The Council's pay and benefits package was given approval by Cabinet in February 2004.
- 2.3 Following a senior management reorganisation in 2009, another Job Evaluation was carried out by Hay on Senior Posts and included an update of market data at that time. Hay also carried out the job evaluations for the new Deputy Chief Executive post introduced in 2017 and the new Service Director posts introduced in 2018.
- 2.4 The People Strategy 2015 - 2020 identified considerable recruitment and retention issues ahead for the Council. During 2016 Hay consultants were asked to compare the job evaluation outcomes with market rates both nationally and in London and the South East, an exercise that was first carried out when the new pay scales were introduced for single status in 2004. It identified the Councils pay rates to be 6.17% to 8.75% below the comparators. This carries some risk and is set out in the medium term financial strategy.
- 2.5 For the majority of staff, the pay deal for 2018/19 and 2019/20 was a two year pay agreement of 2% for most staff and another bottom loaded increase for the lowest paid to keep pace with the rising National Living Wage. The Council now pays £9.09 at the lowest pay point, this is the rate paid to the majority of Apprentices. We do not operate any minimum pay or age related minimum pay rates. The Chief Officer pay agreement of was also 2% for 2 Years.
- 2.6 The Trade Union (Unison) Pay Claim for 2020/21 was positioned by the Trades Unions as a "bold" pay claim after the pay freezes and low increases in recent years. The pay claim calls for pay deal of 10% or £10 per hour, whichever is greater. The regional pay briefing took place in September. They sought employer views on affordability. The majority of councils have budgeted for a 2% increase. The LGE wrote to advise councils there was unlikely to be any pay offer until after the general

election. All pay amounts quoted in this report are currently subject to any pay inflation that is agreed for 2020/21.

GRADING

- 3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points with the exception of Grade 16 which contains 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through Hay job evaluation. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system.
- 3.2 The lowest grade is Grade 1. Following the 2019/20 pay increase in April 2019, the bottom of the Grade 1 pay band is £17,532, the top is £18,684 and the median £18,168.
- 3.3 The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer's pay bill. The Enterprise Act 2016 also set out that public sector bodies should employ apprentices and may be set targets to increase Apprenticeships and the Levy is now used for the Apprenticeship training.
- 3.4 The Council has since 2013, employed a number of temporary Apprentices in support of helping young people and others gain paid meaningful work experience and to help them go on and find permanent employment. Those doing a Business Administration Apprenticeship will be paid at the bottom of Grade 1, £17,532. The period of employment will be 18 months which is the course timescale for this Apprenticeship. Those doing a higher Apprenticeship may be paid more and the posts will be evaluated, these are likely to take longer than 18 months.
- 3.5 There are 13 service managers at Grade 12 earning £45,636 to £53,676. These are typically professional senior technical officers or managers. The post of Corporate Human Resources Manager is Grade 13 (part time) pro rata of £54,120 to £63,672.
- 3.6 The table below shows the current positions for Chief Officers on Grades 14 to 16.

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Service Director Commercial	14	63,792	75,036
Service Director Customers	14	63,792	75,036
Service Director Legal & Community	14	63,792	75,036
Service Director Place	14	63,792	75,036
Service Director Regulatory	14	63,792	75,036
Service Director Resources	14	63,792	75,036
Deputy Chief Executive	15	88,404	103,056
Chief Executive	16	109,224	120,168

- 3.7 The values of the pay points within these pay grades are up-rated by the pay awards notified from time to time by the National Joint Council for Local Government Services. For the Chief Executive and Deputy Chief Executive the up-rate is usually determined via the Joint Negotiating Committee for Chief Executives of Local

Authorities and for Service Director grades usually up-rated by the Joint Negotiating Committee for Chief Officers of Local Authorities, as the JNC conditions of service apply to these posts. When the expected pay award for 2020/21 is agreed, the pay policy statement will be updated with the new pay rates and the median and multiple rates.

3.8 4.4 (aa) of the Council's constitution states that Council will agree any award that exceeds the financial limits set out in this Pay Policy Statement. A salary package includes salary and fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment. It is proposed that that the limit is retained at £100,000, and therefore will apply to Chief Executive and Deputy Chief Executive Recruitment, as no other posts are expected to reach this threshold.

3.9 The same limit (£100,000) is proposed to be applied to discretionary severance compensation payment award, which include:

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

This limit could apply to a much greater range of people, as for pension strain it will depend on length of service, current and recent salary amounts and time until standard retirement date.

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

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

An update received in November 2016 stated there had been some slippage in the timetable and following this another consultation opened on 10 April 2019 and closed on 3 July 2019 The Council Contribute to the consultation through EELGA, however since then no further response has been published confirming the timetable for these regulations to commence.

3.11 Returning Officer/counting officer fees are paid by the parish, North Herts District Council or the Government and are payable to the Returning Officer in respect of Elections and referendums. These fees are agreed annually by a report to Full

Council and resolution. In setting a scale of fees and charges the Council is complying with The Representation of The People Act 1983, (section 36).

4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS

- 4.1 If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs, pension contributions, national insurance, paid leave etc. However, where necessary a higher “market rate” will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external independent advice and dialogue with peer authorities.
- 4.2 Engaging senior people on a temporary basis as a self employed worker, a consultant or via an agency occurs in isolated instances only. This form of employment is a last resort when it is in the economic or operational interests of the Council.
- 4.3 The use of severance agreements and “off payroll” arrangements was the subject of Guidance issued for local authorities in March 2015, IR35. From 6 April 2017, responsibility for assessing IR35 status and for deducting and accounting for Pay as You Earn (PAYE) and National Insurance Contributions (NIC) became the responsibility of the public sector body engaging them. The HMRC have developed an on-line tool to assess whether IR35 applies. HR and Accounts worked together on the processes to implement these changes.

5 PAY MULTIPLES

- 5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. The Council is not required to publish details of these pay multiples but has decided to do so in the interests of transparency. The Council is satisfied that the multiples shown in Table 2 below are justifiable and equitable as these rates are set out in the Job Evaluation scheme which applies to all of the Council’s posts.
- 5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority’s workforce. The highest paid salary including allowances is £124,168. The median salary of the whole of the Local Authority’s workforce is £23,140 and the multiple is 5.37.
- 5.3 The multiple of the median of the lowest paid compared to the highest paid has reduced from 7.94 in 2012/13 to 6.53 in 2019/20.

Position/ Grade	Pay range	Median	
Grade 1	£17,532 - £18,684	£18,168	
Position/ Grade	Pay range	Median (inc Car Allowance)	Multiple of Grade 1 Median

Chief Executive - Grade 16	£109,224 – £120,168	£118,696	6.53
Deputy Chief Executive - Grade 15	£88,404 - £103,056	£99,472	5.47
Service Directors - Grade 14	£63,772 - £75,036	£72,902	4.01
Corporate Human Resources Manager - part time - Grade 13	Pro Rata of £54,120 to £63,672	£53,964	2.97
Service Managers - Grade 12	£45,636 - £53,676	£52,656	2.89

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

6. CAR ALLOWANCES

- 6.1 Employees who need to use their cars on a frequent basis for work related travel get a frequent car user allowance of £1,239. For all low and frequent car users the mileage is paid at of 45p per mile (up to 10,000 miles per year). If passengers are carried and extra 5p can be claimed per mile. The rates changed during 2019/20 and no longer vary with engine size.
- 6.2 In setting car allowances for senior managers it was agreed that lease cars or the cash equivalent would be provided to Grades 11 and above as part of the overall reward package to attract and retain staff at the time. This was agreed at the meeting of Council on 12 February 2004.
- 6.3 A review of the benefit was carried out in 2011 and it was decided to phase out the provision of lease cars, but maintain the car allowance which has not been increased since 2004.

Car Allowance

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

The Car Allowance Mileage Rate is 12.3p per mile.

7. OTHER PAYMENTS

- 7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior

remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as payments for taking on additional responsibility or covering absences or vacancies are calculated using the same formulas regardless of grade, current pay rates are set out in the Employee Handbook.

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

8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

- 8.1 The Local Government Pension Scheme is one of the largest public sector pension schemes in the UK. The LGPS is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government. The LGPS differs from many other public sector pension schemes in that it is a funded scheme i.e. it has assets to pay its pensions. For North Herts District Council, the scheme is administered by Hertfordshire County Council via a contract with the South East fund, the London Pensions Partnership.
- 8.2 The current Employer contribution rate is 18.6% for all grades. This increased from 15.5% following the 2016 triennial valuation. Another triennial valuation carried out in 2019 has seen the current rate stay at 18.6%. This latest valuation did increase the amount that the Council will pay towards past service costs i.e. benefits that have been accrued by employees in the past that were not fully funded at the time.
- 8.3 There has been a significant number of changes to the scheme that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1 April 2014. The Employee Contribution bands for 2019/20 are set out in the table below. Further reforms to the LGPS are expected due to the Public Sector Exit Payment Cap.

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

	£89,401	£105,200	10.5%
	£105,201	£157,800	11.4%

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

Flexible Retirement Pension Discretion

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

9. PUBLICATION

- 9.1 This is the ninth annual statement and applies to the financial year, beginning 1 April 2020 to 31 March 2021. This statement was approved by a meeting of full Council on 6 February 2020. The statement will be updated and approved annually by full Council.
- 9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts. The draft and final Accounts are published on the Council's website.

10. BACKGROUND DOCUMENTS

- Local Government Transparency Code 2015
- Small Business, Enterprise and Employment Act 2015
- (Draft) The Repayment of Public Sector Exit Payments Regulations 2015
- Enterprise Act 2016
- The use of Severance Agreements and off payroll arrangements - Guidance for Local Authorities March 2015
- Annual Statement of Accounts
- Employee Handbook
- Early Severance Policy
- Market Forces Policy
- NHDC Pension Discretions
- Retirement Policy
- Additional Responsibility Pay Policy

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**COUNCIL
6 FEBRUARY 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: REVENUE BUDGET 2020/21 (ADDENDUM)

REPORT OF THE SERVICE DIRECTOR- RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND IT

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1. To consider the draft budget for 2020/21 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level. To consider the appropriate level of Council Tax that will be recommended to the meeting of the Council on the 6 February 2020.

2. RECOMMENDATIONS

That Cabinet:

- 2.1. Approves the decrease in the 2019/20 working budget of £187k, as detailed in table 6.
2.2. Approves the carry-forward of £88k of budget in to 2020/21, as detailed in table 6.

That Cabinet recommends to Council:

- 2.3. Approves the transfers from reserves to the General Fund as detailed in 8.4.3 to 8.4.4.
2.4. Notes the forecast savings target for future years and confirms the approach to balancing the budget, as detailed in paragraph 8.9.4.
2.5. Notes the position on the Collection Fund and how it will be funded.
2.6. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.45 million is recommended.
2.7. Approves the savings and investments as detailed in Appendix B.
2.8. Approves a net expenditure budget of £15.124m, as detailed in Appendix C.
2.9. Approves a Council Tax increase of £5 for 2020/21 for a band D property, with other increases pro-rata to this (as per the Medium Term Financial Strategy)

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all the relevant factors are taken in to consideration when arriving at the proposed Council Tax precept for 2020/21.
- 3.2. To ensure that Cabinet recommends a balanced budget to Full Council on 6 February 2020.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 During the Autumn Political Groups were asked for savings ideas that they wanted Officers to investigate further. These have been combined with ideas generated by Officers. The total value of the ideas presented is less than the forecast funding gap that needs to be met. This means that currently there are no alternative options available.
- 4.2 In considering the draft budget in December, the Joint Administration made a commitment to continue with a number of new investments, even though these were not required to deliver statutory services. These investments are aligned to the priorities of the Joint Administration. As referred to later in this report, the Joint Administration have committed to a full review of the Council's budget during 2020/21 to ensure that in the medium term a balanced budget will be set.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 All Councillors were given opportunity to comment on the efficiency and investment proposals at the Budget Workshops.
- 5.2 Business Rate Payers will be consulted via e-mail and via the website before the budget is discussed at Full Council on 6 February. Any feedback will be made available at that meeting. This is the only statutory consultation that is required.
- 5.3 Savings that have an impact on a specific area (or areas) will be referred to that Area Committee(s) during January. This is not considered to be the case for any savings included within the proposals.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision (recommendations 2.1 and 2.2) that was first notified to the public in the Forward Plan on the 11 October 2019.

7. BACKGROUND

- 7.1. The Medium Term Financial Strategy (MTFS), which provides the financial background to the Corporate Business Planning process for 2020-2025, was adopted by Full Council on the 12 September 2019 following recommendation by Cabinet.

- 7.2 The MTFs included a number of assumptions, which have been updated as better information has become available. The final budget still contains some assumptions and this is why monitoring reports are provided to Cabinet on a quarterly basis.
- 7.3 In anticipation of the decline in future funding, the Council has increased the level of general fund reserves. This allows for some cushioning in the delivery of savings.
- 7.4 Significant savings have been delivered in recent years. This means that the opportunity for savings from being more efficient have now generally all been taken. Instead the focus is now on income generation, service transformation, joint working, making best use of capital assets and justifying delivery of services above statutory levels.

8. RELEVANT CONSIDERATIONS

8.1 General Funding

- 8.1.1 The provisional Local Government Settlement was announced on 20 December 2019. This provided the following information on the funding for the Council in 2020/21, subject to there being no changes in the final settlement.
- 8.1.2 As expected, the Settlement confirmed that Negative Revenue Support Grant (RSG) will not be applied in 2020/21. This increases the funding available to the Council in 2020/21 by around £1.1m compared to the original MTFs forecast, which had assumed this reduction in funding. As highlighted in 8.1.4 below, this increase is assumed to be for one year only.
- 8.1.3 It was also announced in the Settlement that the New Homes Bonus (NHB) baseline will be retained at 0.4%. It also confirmed how New Homes Bonus will be phased out over the next three years. In 2020/21, the Council will receive the total of 4 years of bonus payments relating to 2020/21, 2019/20 2018/19 and 2017/18. In 2021/22, however, the Council will receive the total of 2 years of payments (2019/20 and 2018/19) and in 2022/23, the Council will receive the 2019/20 bonus payment only. From 2023/24, there will be no New Homes Bonus received. During the Spring there will be a consultation on a replacement for New Homes Bonus. Given the uncertainty over a funding stream that looks to reward housing growth, over which the Council does not have much control, it is not considered prudent to rely on any replacement for funding core expenditure. The published allocation for 2020/21 of £713k represents a reduction of £271k on funding received for 2019/20. This is due to a combination of fewer properties being built and an extra year of funding where a baseline of 0.4% has been applied. As all future allocations are now based on historic data the Council now knows that it will receive £350k in 2021/22 and £131k in 2022/23.
- 8.1.4 From 2021/22 it is expected that 75% Business Rates Retention and a new Fair Funding Formula will be introduced. In the absence of notification from government, estimates for 2021/22 and beyond assume that the new fair funding formula will build in a reduction equivalent to the amount that the Council was due to lose through the introduction of the negative RSG, as both are essentially a formula that tries to calculate assessed need. Estimates also assume that the Business Rates Baseline total and negative RSG will increase by 2% per year, in line with inflation estimates. Previous estimates have been based on inflation of 3%, but latest information is that 2% is a better estimate of future inflation.

8.1.5 The Settlement detailed that District Councils would be able to increase Council Tax up to 2% or £5 for a band D equivalent property (whichever was the higher), without the need for a local referendum. The MTFs sets out that the Council will look to increase Council Tax by the maximum amount possible without the need for a local referendum. In terms of future forecasts it is assumed that the 2% (or £5 for a band D equivalent) will continue to be the maximum increase allowed. The Council Tax income that the Council retains is also affected by the Council Tax base (see 8.2.2 below). It is assumed that the growth in base will be around 1% per year. For 2020/21 (compared to 2019/20) the growth is estimated at 0.97%.

8.1.6 Based on the above this gives the following estimates of total general funding:

Table 1- Estimated general funding

2019/20	£000 Funding	2020/21	2021/22	2022/23	2023/24
11,391	Council Tax	11,752	12,122	12,498	12,880
0	Negative RSG (or equivalent)	0	(1,136)	(1,159)	(1,182)
2,682	Business Rates baseline	2,726	2,780	2,836	2,893
984	New Homes Bonus	713	350	131	0
15,057		15,191	14,116	14,306	14,591

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

Table 2 - Forecasts in relation to Grant Income

	2019/20 amount £'000	Expectation for 2020/21
Housing Benefit Subsidy	26,898	Initial estimate will be available late January 2020, so budget expectation for 2020/21 is based on the 2019/20 mid year estimate - £26.898million.
Discretionary Housing Payments	209	An announcement is expected in January 2020. Expectation is that the grant level will be similar to 2018/19 - £209k.
Benefits Administration and Fraud Initiative	430	The announcement of these grants for 2020/21 has been delayed by MHCLG. Annual grant values have been subject to reductions in recent years.
Section 31 Grants	1,922	These grants compensate the Council for the impact of Business Rate reliefs and caps. Values have not yet been confirmed by MHCLG and will be influenced by the NNDR1 form submitted at the end of January.
Waste minimisation	571	As explained in the description of the corresponding

	2019/20 amount £'000	Expectation for 2020/21
– HCC contribution via the Alternate Financial Model.		efficiency proposal (E11 in Appendix B), a similar total (£551k) is currently anticipated to be received in 2020/21 for recycling performance in 2019/20.
NNDR Administration Grant	176	The cost of collection will not be known until the central government return for business rates (NNDR 1 form) is finalised in January 2020 Assuming a similar level to the 2019/20 level of £176k.
Flexible homelessness support grant	173	MHCLG has confirmed at least the same level of funding for 2020/21 as 2019/20, rather than an exact figure.
Syrian refugee resettlement grant	328	Approximately £310k is anticipated in 2020/21 however the exact amount is dependant on when the two new refugee households actually arrive.
Homelessness Reduction Act - New Burdens Funding.	32	MHCLG has confirmed at least the same level of funding for 2020/21 as 2019/20, rather than an exact figure.
Healthy Hub Grant	18	HCC are funding a two year Healthy Hub project. It is anticipated that around £50k will be drawn down in 2020/21.
Total Revenue Grants	30,757	

8.2 Business Rates and Council Tax Collection Funds

- 8.2.1 NHDC is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the NHDC General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the NHDC General Fund and other precepting bodies.
- 8.2.2 The total amount of Council Tax that is collected is dependent on the actual number of properties, eligibility for paying a reduced amount (Council Tax Reduction Scheme) and the success in collecting what is owed. An estimate is made of the cumulative impact of this and converted in to an equivalent number of band D properties. This is known as the Council Tax Base. The amount of Business Rates that are collected is dependent on the number and type of business premises in the area, the success in collecting what is owed, eligibility for relief and the number and value of successful appeals. Assumptions on these factors are made in forecasting the level of income from Council Tax and Business Rates in future years.
- 8.2.3 Current forecasts are that the Business Rates collection fund will have a deficit at the end of the year. This is due to the level of appeals and rate reliefs. NHDC will need to fund its share of the deficit in the following financial year. The section 31 grant that NHDC receives from Central Government for business rate reliefs and caps will be used for this purpose.

8.2.4 It is currently forecast (at the end of month 8) that the Council Tax collection fund will have a marginal deficit at the end of the year, due to an increase in the amount of Council Tax reduction awarded, of which the Council's share is projected to be £55k. A contribution from the General Fund to the Collection Fund of this amount is therefore required in 2020/21. This contribution therefore reduces the total funding amount available next year, as shown in appendix C.

8.3 Business Rate Pilot and Pool

8.3.1 For 2019/20, Hertfordshire was successful in becoming a Business Rate pilot. As highlighted when the application was made, this will hopefully mean that the Council is around £800k better off than the baseline position included in the budget estimates, and £400k better off than being part of a pool. This is dependent on the level of Business Rates collected in North Hertfordshire and across Hertfordshire during 2019/20. The forecasts are looking like this estimate could be exceeded but this will not be known until after the end of the financial year. As detailed later in this report, the overall position in 2020/21 is forecast to be a budget surplus and therefore any gains will be reflected in the 2021/22 budget. These gains are a one-off and do not improve the long-term position.

8.3.2 For 2020/21 a Business Rates Pool application has been accepted for Hertfordshire County Council and five other Districts (including North Hertfordshire). This is expected to generate additional funding (of around £400k+) but again this will be one-off. It is not expected that the Council will be able to benefit from pooling arrangements under the new business rates funding system, at least not in the short to medium term. Therefore future forecasts do not include any ongoing gains from this.

8.4 Review of balances and reserves

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

8.4.2 A full list of specific reserves and estimated balances is shown in table 2 below.

Table 3- Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2019	Estimated Balance at 31 March 2020	Estimated Balance at 31 March 2021
Funding Equalisation Reserve	As detailed in section 8.9.3	0	68	559
Cemetery Mausoleum Reserve	Held to cover the Authority's obligation to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches. Still available niches so not expected to be used in the short-term.	161	161	161
Childrens Services Reserve	Part is used to help fund children's play projects in the district and is funded from grant income. Part is previous external funding used for	8	6	0
Climate Change Grant Reserve	Grant awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy. Will be fully used by the end of 2024/25.	28	26	22
Community Right to Challenge Reserve	The one-off grant funding received to recognise the additional burden of the new legislation. The legislation has been in place for 5 years and nothing has transpired, so propose release to General Fund.	45	0	0
Environmental Warranty Reserve	An environmental warranty was provided to North Herts Homes on the transfer of the Housing stock. This was the cost of obtaining insurance which would have only lasted 10 years. There has been no call on the reserve so far, and there might never be. The cost claim could be significantly more than the reserve. To release to General Fund and create a financial risk.	209	0	0
Growth Area Fund Reserve	Holds the revenue grant awarded. To be used when progress on the Local Plan so may be used in 2020/21, but may not be until 2021/22.	53	53	53
Homelessness Grants Reserve	To help prevent homelessness in the district. The entire grant is earmarked for different homelessness projects or resources. Reflects that additional grant will be received in 2020/21 and that this will be used first.	262	291	282
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services. Future balances will depend on timing of spend and fees received in relation to the 20% increase.	1,142	1,489	Unknown
Information Technology Reserve	To ensure the Authority has adequate resources to purchase hardware and software items when they are required. Plan to use over 2 years for a Uniform software upgrade with improved functionality.	82	47	12
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment	94	84	59

Name of Reserve	Purpose of Reserve	Balance at 1 April 2019	Estimated Balance at 31 March 2020	Estimated Balance at 31 March 2021
	of personal search fees occur. Being used for additional administration costs and software upgrades over 3 years.			
Leisure Management Maintenance Reserve	To cover the cost of any future repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	47	Unknown	Unknown
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. Pooling gain of £368k to be released to the General Fund. Balance at end of 2020/21 will depend on NNDR1 return and the levy. To be reviewed during 2020/21 as to how much additional funding can be released to the General Fund, bearing in mind the implications of any Business Rates baseline reset.	1,814	3,318	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	12	Unknown	Unknown
Neighbourhood Plan Reserve	Funds received for neighbourhood Plans from the MHCLG (previously DCLG) have been transferred. The funding has been provided to authorities who received neighbourhood plans as funding will be needed in future years as plans are developed and public examinations and public referendums are required.	41	61	61
Office Move IT Works	A reserve to cover the cost of moving cabling between Town Lodge and the other Authority buildings when required.	7	0	0
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	11	11
Property Maintenance Reserve	To cover the cost of any unplanned emergency maintenance costs that may occur at any of the Authority's properties. There are revenue and capital budgets for property maintenance so to use these in future and release this reserve to the General Fund.	72	0	0
S106 Monitoring Reserve	To cover the cost of monitoring s106 obligations in future years. Ring-fenced. Future balances are unknown as do not know what new funding will be received.	36	Unknown	Unknown
Special Reserve	Maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation and other financial pressures. To be retained in the short-term in case of any impacts from carrying out the budget review mentioned in paragraph 8.9.4. Known commitment of £125k in 2020/21.	1,395	1,307	Unknown
Street Furniture	To fund new street furniture as and when required. Rarely used so release to General Fund and reflect costs as and when the need arises.	21	0	0
Street Name Plates	To fund Street Name Plates as and when required. To maintain until Local Plan is adopted and then review.	16	16	16
Syrian Refugee Project	The council has agreed to house 50 Syrian Refugees over five years under the government's resettlement	115	181	181

Name of Reserve	Purpose of Reserve	Balance at 1 April 2019	Estimated Balance at 31 March 2020	Estimated Balance at 31 March 2021
	scheme. The scheme is fully funded by the government and the reserve enables the multiple year funding for each household to be maintained for future expenditure associated with their placement in the district, such as housing and support costs. Reflects that additional grant will be received in 2020/21 and that this will be used first.			
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service. Expected to be used in 2020/21 for re-marking the taxi ranks and new taxi rank signage, in addition to reviewing the existing taxi rank provision.	13	5	0
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	45	53	53
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. However due to other priorities this work was delayed and the budget has been transferred to a reserve, to be drawn down as and when the work is done. To be spent over the next 3 years.	347	395	265
Waste Reserve	AFM monies are transferred to help mitigate any potential risk to the waste service, for example the construction of a Northern Transfer Station.	631	650	650
Waste Vehicles Reserve	As repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.	253	554	913
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme. These grants will be used when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	190	200	Unknown

8.4.3 The MHCLG grants reserve includes the gain made by the Council from being part of the Business Rates Pool in 2018/19 of £368k. There is no reason for this to be kept in this reserve and it is proposed that this is transferred to the General Fund. The remaining balance in this reserve is the section 31 grants received for Business Rate reliefs, which are used to off-set the shortfall on the Collection Fund and the payment of the business rates levy.

8.4.4 The following other reserves show the balance being reduced to zero. This is because they are no longer needed and the balances will be moved to the General Fund:

- Community Right to Challenge Reserve - release £45k to General Fund
- Environmental Warranty Reserve - release £209k to the General Fund
- Property Maintenance Reserve - release £82k to the General Fund
- Street Furniture Reserve - release £21k to General Fund

8.4.5 As at the 31 March 2019 there was a total of £1.527m held as provisions. These comprised of:

- Business Rates appeals - £1.501m - the NHDC estimated share of outstanding business rates appeals
- Insurance - £0.026m - covers the uninsured aspect of outstanding insurance claims.

8.4.6 NHDC operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £15million, this means a minimum balance of about £750k. However as the Council has become more reliant on generating income to set a balanced budget, an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) will also be included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be £11.6m and therefore an additional allowance of £347k will be added. This minimum figure represents the cushion against totally unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure, according to risk likelihood.

8.4.7 An assessment of the risks has been compiled for the coming year based on risks identified by each Service Director and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 4 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix A.

Table 4- Budget Risks in 2020/21

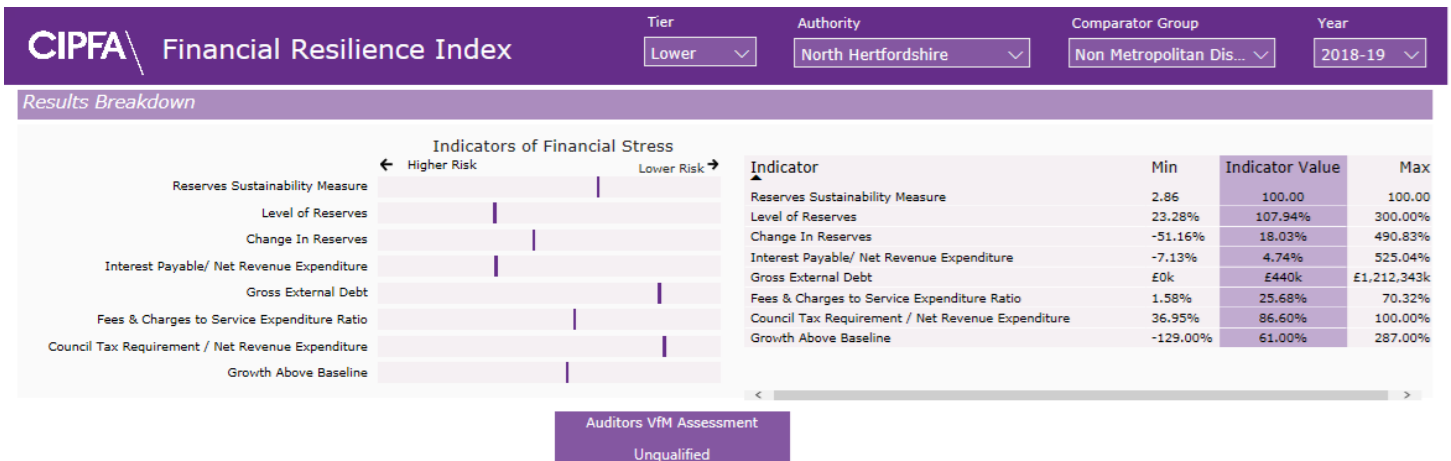
Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	18	5,453	0
Medium	15	1,665	416
High	12	1,870	935
Total	45	8,988	1,351

8.4.8 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.45million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

8.5 Council Resilience

8.5.1 In response to the issues faced by Northamptonshire County Council, and concerns over the financial health of other Local Authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a financial resilience tool. This uses historic publicly available data to compare indicators of financial stress across similar Local Authorities. The results for NHDC in comparison with other non-Metropolitan Districts for the latest year (2018/19) are shown in the image below.

Image 5- Financial Resilience results



- 8.5.2 The table on the right shows the performance of NHDC in the middle (purple column) against 8 measures. It also shows the minimum and maximum values for the comparator group. Note that it swaps about as to whether minimum or maximum is good (lower risk). The graph on the left shows how NHDC sits (on a ranking basis) against all the Authorities in the comparator group.
- 8.5.3 The purple box at the bottom confirms that we have an unqualified (which is good) assessment from the Council’s Auditors in relation to the processes we have in place for delivering Value for Money. This will be the case for the vast majority of Local Authorities.
- 8.5.4 The Reserves Sustainability measure shows the depletion (or addition) to reserves over the last 3 years. It does this by taking the use of reserves over the 3 years as a proportion of the current reserves level and converting this to a ratio. Where reserves have stayed the same or gone up, the ratio is shown as 100. This is the case for NHDC, and this is the lowest risk position. In the medium term, if the Council end up using reserves to balance the budget then this value will drop. Currently the vast majority of the comparator group are in the same position as NHDC (i.e. at 100).
- 8.5.5 The Level of Reserves measure shows total reserves (General Fund and specific) as a proportion of annual net expenditure. This shows that NHDC has a bit more in reserves (108%) than is spent each year. The maximum value that can be achieved has been capped at 300%. This shows that NHDC is relatively high risk, but the key here is that it is in relation to others rather than being an absolute concern.
- 8.5.6 The Change in Reserves measure is very similar to the Reserves Sustainability measure. For NHDC it shows that reserves have increased by 18% over the last three years. This is a low increase in comparison to others, but is not an absolute concern.

- 8.5.7 The next two measures reflect that borrowing money (for whatever purpose) is risky. The Interest Payable / Net Revenue Expenditure measure is skewed for NHDC by an accounting adjustment. As part of the waste contract the contractor provides vehicles to perform the service. Under accounting rules there is a requirement to show these as our assets and an off-setting debt owed. Each year part of the revenue cost of the service is reallocated as a repayment of the debt and a notional interest charge. This notional interest charge does not create a risk to the Council. In future years, the finance team will look at alternative ways to complete the data that the resilience index is based on.
- 8.5.8 For the Gross External Debt measure NHDC has historic borrowing that it could afford to repay, but the premium for doing so does not make financial sense. The risk is comparatively low anyway. Therefore there are no concerns in relation to this measure.
- 8.5.9 The Fees and Charges to Service Expenditure Ratio shows the proportion of total service expenditure that is funded from fees and charges, rather than general funding (e.g. Council Tax, Business Rates). CIPFA assume that more expenditure that is funded from fees and charges equates to lower risk. As fees and charges could be from a volatile income source (e.g. parking income is dependent on usage), the opposite assumption could also be made. NHDC is about in the middle and there are no concerns in relation to this measure.
- 8.5.10 The Council Tax Requirement / Net Revenue Expenditure measure shows the proportion of net spend that is funded from Council Tax, as opposed to other funding sources (e.g. Business Rates, New Homes Bonus). NHDC funds 87% of its spend from Council Tax and this is considered to be relatively low risk. This will be due to the fact that Council Tax is a relatively stable income source, with some inflationary increase allowed. With referendum limits on increases, this is mainly a measure of history and there is nothing that can be done about it now for those that are lower down. It does suggest that the resilient option to pursue is to continue to increase Council Tax by the maximum amount allowed.
- 8.5.11 The Growth above Baseline measure shows actual Business Rate income compared with the Baseline Business Rate level (an assumed amount used in funding formulae that determines how much of the Business Rate income that the Council collects that it can keep). Business Rate income is uncertain, especially with a Baseline reset due. Therefore being above the Baseline is considered to be high risk. NHDC is 61% above the baseline. The Council uses the Baseline funding level to set its budget and treats any income that it can retain above that as a bonus. Therefore there are no concerns in relation to this measure.
- 8.5.12 Overall, it is the Chief Finance Officers view that there are currently no concerns in relation to the resilience index.

8.6 Expenditure Forecasts

- 8.6.1 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2019. This is then adjusted by:

- Any changes since then identified in revenue budget monitoring that have an impact in future years (Quarter 3 2018/19, End of Year 2018/19, Quarter 1 2019/20 and Quarter 2 2019/20)
- A budget review at the end of November- see paragraph 8.6.2 below.
- Any relevant decisions made by Full Council
- Savings (including efficiencies, income generation and service changes) identified in this report at Appendix B.
- Investments (including increases in service and non-inflationary cost pressures) as identified in Appendix B.
- Estimates of expenditure (including pay) and income inflation.
- Any other significant changes, e.g. pension contribution rates.

8.6.2 A review of budgets as at the end of November has been carried out. Table 5 below provides explanations for the variances that are greater than £25k, as well as any budgets where there are carry-forward requests. All other variances are included within the 'other minor variances' line at the bottom of the table.

Table 6- Summary of forecast variances (amounts £000)

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-forward requested	2020/21 Budget impact
PCN Income	(595)	(664)	(69)	Increase in projected PCN income is based on the level of activity this year. The current full complement of staff in post has meant a greater number of traffic offences being identified and penalty notices issued.	0	0
Area Committee Grants	82	60	(22)	The underspend requested to be carried forward comprises £12.9k for Letchworth, £1.5k for Royston and £7.5k for Southern Rural. This is largely due to fewer grant applications than anticipated being received and also represents grants awarded but not yet released pending evidence of criteria being met.	22	0
Health and Wellbeing Initiatives	21	5	(16)	Service resource and delivery has been affected by staff absence in this year. A carry forward of the unspent budget is therefore requested to deliver a number of projects and services that have been postponed.	16	0
Transport User Forum	50	0	(50)	The inaugural meeting of the Forum has taken place. As resulting work streams and	50	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-forward requested	2020/21 Budget impact
				associated expenditure are still to be clarified, this budget is requested to be carried forward.		
Income from paper	(262)	(249)	13	The Council is part of a consortium for the disposal of paper that it collects from households. This consortium provides the volumes that are considered to give better prices than acting individually. The current contract ends in March. Whilst it is felt that the new contract offers the best value available, market conditions mean that this is still a substantial reduction from the previous price. The new contract is only until May 2021, so there is a risk of a further drop in income after that.	0	150
Total of Explained Variances	(704)	(848)	(144)		88	150
Other Minor Variances	15,974	15,931	(43)		0	1
Total General Fund	15,270	15,083	(187)		88	151

8.6.3 Budget proposals were put forward for discussion at Group workshops in November. To give the full context, these proposals included both savings and investment proposals. The comments made by the Groups were presented for consideration alongside the budget proposals at the December meeting of Cabinet. The lists of savings and investments agreed by Cabinet at the December meeting are attached at Appendices B and C respectively.

8.7 Revenue effects of capital

8.7.1 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. If the Council was to take out new borrowing for capital purposes then it would incur revenue costs in relation to interest payments and Minimum Revenue Provision (MRP). MRP is explained in the Investment Strategy report. As identified in the Investment Strategy report, the Council does not need to borrow to fund core capital spend, as it is forecast that this can be funded from existing capital reserves and the generation of new capital receipts. The Council would need to borrow for non-service property development and acquisition. However as it is a requirement of any such investment that the income generated provides a margin above the borrowing

costs, the prudent decision has been taken to present this as a net nil revenue cost (i.e. the income is not shown and nor are the borrowing costs). This is because the exact scale and timing of any such investments will depend on the opportunities available.

8.8 Reliability of Estimates

- 8.8.1 As part of the budget setting process, the Chief Finance Officer is required to comment on the reliability of the estimates made. A prudent approach has been adopted, especially in relation to income where it is only included where there is a high degree of certainty over it being achieved. The main area of uncertainty is in relation to pay inflation, which has been assumed to be 2%. The national pay bargaining process is underway but it is unknown when it will be concluded. The 2% assumption is in line with the majority of Councils, and the allowances made are a factor in where the negotiations will end up. It should however be noted that the Union claim is for a 10% increase.
- 8.8.2 Overall it is considered by the Chief Finance Officer that the estimates made are reliable. They will be subject to some risk and this is the reason for setting a minimum General Fund balance and carrying out budget monitoring throughout the year.

8.9 Cumulative impact and decisions

- 8.9.1 The cumulative impact of all the estimates described in the previous sections (and recommendations below) is provided at Appendix C. This shows a forecast of funding and net expenditure for the next four years, including the impact on the General Fund balance.
- 8.9.2 This shows a budget surplus in 2020/21, but a significant deficit in 2021/22 onwards. The surplus in 2020/21 is mainly as a result of negative RSG not being introduced and the transfer of pooling gains from the specific reserve to the General Fund. The deficit in following years is mainly as a result of both the assumption that negative RSG (or an equivalent reduction in funding) will be introduced and the known reductions in New Homes Bonus.
- 8.9.3 Whilst it might seem perverse to increase Council Tax by the maximum allowed when the Council is forecasting a budget surplus in 2020/21, not increasing it by the maximum amount would reduce the funding available in future years (unless an increase above the referendum limit was then considered) and make the ongoing position (2021/22 and beyond) worse. The proposal is therefore that Council Tax should be increased by the maximum allowed (£5 for a Band D equivalent) and the surplus in 2020/21 is put in to the funding equalisation reserve (along with the balance from this year, 2019/20). This should provide more time to implement the savings that are likely to be required to address the future forecast budget gap.
- 8.9.4 Based on current forecasts the Council will need to reduce its net annual revenue expenditure by over £1.35m. Due to the creation of the funding equalisation reserve proposed above and fairly high General Fund balances, this could be achieved over a four year period. The profile of net savings needed to be delivered would then be £400k in 2021/22, a further £400k in 2022/23 and at least another £550k in 2023/24. This is a net savings requirement and any new investments will increase the level of gross savings required, therefore there is very limited scope for any new investments (unless they are genuinely time-limited). Some of these savings could be delivered from commercial opportunities, including property development and acquisitions. However these can only be built in as savings when there is a known project with a business plan and evidence that it can be delivered. Even then

commercial and property income is inherently risky and the Council will need to have a contingency plan as to how it will deal with any shortfall.

- 8.9.5 As a result of the time it can take to implement savings, there is a need to start budget planning early in the new financial year. As the opportunity for any further efficiencies is expected to be very limited, this will include a review of all current spend identifying those areas which are discretionary services or services that are delivered in excess of the statutory requirement. This will be used to identify areas where service changes could be made. There will be public consultation on the results of this to determine which areas of spend residents value the most and therefore areas where service levels can be reduced. However it should be noted that the majority of the Council's spend is on statutory services and therefore given the scale of expenditure reductions required, it is possible that the continuation of discretionary services, at least in their current form, might be quite limited.
- 8.9.6 In the recommendations, Cabinet are asked to make the following decisions:
- Approves the decrease in the 2019/20 working budget of £187k, as detailed in table 5.
 - Approves the carry-forward of £88k of budget in to 2020/21, as detailed in table 5.
- 8.9.7 In the recommendations, Cabinet are asked to recommend to Council that they make the following decisions:
- Approves the transfers to/ from reserves as detailed in 8.4.2 to 8.4.4
 - Notes the forecast savings target for future years and confirms the approach to balancing the budget, as detailed in paragraph 8.9.4.
 - Notes the position on the Collection Fund and how it will be funded
 - Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.45 million is recommended.
 - Approves the savings and investments as detailed in Appendix B.
 - Approves a net expenditure budget of £15.124m, as detailed in Appendix C.
 - Approves a Council Tax increase of £5 for 2020/21 for a band D property, with other increases pro-rata to this (as per the Medium Term Financial Strategy)

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2 Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax. Council's terms of reference include approving or adopting the budget.
- 9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.

10. FINANCIAL IMPLICATIONS

10.1 As outlined in the body of the report.

11. RISK IMPLICATIONS

11.1 As outlined in the body of the report.

11.2 There are significant uncertainties and risks with regard to the funding of NHDC over the medium term. In particular the impact from the outcomes of the Fairer Funding review and 75% Business Rates retention.

12. EQUALITIES IMPLICATIONS

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

12.2 The proposals for efficiencies within this report do not unduly disadvantage one individual group within our local community more than another.

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

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

14.2 Paragraph 8.8.1 highlights the uncertainty over future pay inflation and that this is still subject to national pay bargaining.

15. APPENDICES

15.1. Appendix A - Financial Risks

15.2. Appendix B - Revenue Budget Savings (including efficiencies, income generation and service changes) and Investments (including increases in service and non-inflationary cost pressures)

15.3. Appendix C - Budget Summary 2020-24

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17. BACKGROUND PAPERS

- 17.1. Medium Term Financial Strategy 2020-25

Appendix A- Identified Financial Risks 2020/21

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Commercialisation	FR1	Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	M	35,000	25%	8,750
	FR2	Contamination clear-up costs for disposal/vacant sites	M	500,000	25%	125,000
	FR3	Difficulties in recruiting Estates Surveyors hinders the achievement of the anticipated additional commercial rent income agreed from rent reviews undertaken in the year.	L	50,000	0%	0
	FR4	Arrangements for the management of Hitchin Market following the expiry of the current contract generate a lower financial return to the Council.	H	20,000	50%	10,000
Customers	FR5	Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
	FR6	Bad Debt Provision may need to increase in light of the roll-out of Universal Credit and in particular the managed migration of working age housing benefit clients to Universal Credit.	M	70,000	25%	17,500
	FR7	Ransomware attack results in the write-off of IT hardware and infrastructure.	L	200,000	0%	0
	FR8	Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	H	50,000	50%	25,000
Legal & Community	FR9	District by-election	L	4,000	0%	0
	FR10	Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	M	100,000	25%	25,000
	FR11	Legal expertise related to employment cases	M	50,000	25%	12,500
	FR12	The Council is required to meet the cost of any award from new or ongoing judicial reviews.	H	100,000	50%	50,000
	FR13	Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
	FR14	Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
	FR15	Domestic Homicide Review – requirement for additional resources to respond	L	15,000	0%	0

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Place	FR16	The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	L	300,000	0%	0
	FR17	Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	H	100,000	50%	50,000
	FR18	Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	L	50,000	0%	0
	FR19	Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	50,000	0%	0
	FR20	Cost of felling and destroying trees as a result of pests and tree disease.	L	75,000	0%	0
Regulatory	FR21	Lack of resilience in delivering key statutory services, such as Environmental Health and Planning, when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, etc... increases expenditure on agency staff and / or consultancy advice to maintain service provision.	H	40,000	50%	20,000
	FR22	Usage of bed and breakfast accommodation for homeless households.	M	180,000	25%	45,000
	FR23	Dangerous structures - where the Council is unable to recover the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered.	L	50,000	0%	0
	FR24	Specialist advice required with regard to planning applications, e.g. town centre schemes and "hostile applications".	M	100,000	25%	25,000
	FR25	Costs associated with a challenge to a decision of the Council, for example an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction.	H	500,000	50%	250,000
	FR26	Enforcement – costs in relation to enforcement through for example: specialist legal advice, direct action or appeal processes.	M	100,000	25%	25,000
	FR27	New duties and obligations associated with government policy, e.g. Brexit, require additional and/or specialist staff or consultancy support to deliver.	M	100,000	25%	25,000
	FR28	Local Plan: additional costs associated with progressing the Local Plan.	H	250,000	50%	125,000
	FR29	Local Plan: costs associated with a challenge to the Local Plan either from the Council or another stakeholder/authority	H	450,000	50%	225,000
	FR30	Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
	FR31	Income related to planning applications is lower than the budget expectation as a result of a delay to Local Plan progress or the economic impact of Brexit.	H	250,000	50%	125,000
	FR32	Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs.	H	15,000	50%	7,500
Resources	FR33	Assumed vacancy saving within staffing payroll budgets does not materialise as a slim staffing structure reduces both employee turnover and the capacity to hold posts vacant for any significant period of time.	L	300,000	0%	0
	FR34	Breach of partial-exemption calculation for VAT	L	300,000	0%	0
	FR35	The Council's compliance contractors identify exceptional repairs and maintenance required for Council properties.	M	50,000	25%	12,500
	FR36	Localisation of Business Rates – The council is directly exposed to a range of risks including; business rates levy, safety net.	L	130,000	0%	0
	FR37	Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
	FR38	Further payments are required under MMI scheme of arrangement	L	20,000	0%	0
	FR39	Treasury Management - potential default by a counter party	L	3,000,000	0%	0
	FR40	Difficulty in recruiting Facilities Assistants results in higher expenditure on agency staff	M	10,000	25%	2,500
	FR41	Employment related risks related to outsourcing, shared services and restructuring	M	250,000	25%	62,500
	FR42	Reduced staffing capacity means that the delivery of efficiency proposals or investment projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	M	50,000	25%	12,500
	FR43	Alternative arrangements are required to secure the outcomes expected from the corporate compliance contract.	H	75,000	50%	37,500
	FR44	Alternative arrangements are necessary to secure the outcomes expected from the corporate occupational health contract.	H	20,000	50%	10,000
	FR45	Relates to an environmental warranty that was provided to North Herts Homes on the transfer of the Housing stock.	L	209,000	0%	0

8,988,000

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APPENDIX B- REVENUE BUDGET SAVINGS AND INVESTMENTS

New Efficiency Proposals for 2020/21 and beyond

Ref No	Service Directorate	Description of Proposal	Budget Impact	Net Efficiency			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
E1	Customers	Customer Service Centre staffing. Automation of the document verification process means that a vacant part-time post within the Customer Service Centre can be deleted with no adverse effect on service delivery.	Expenditure Reduction	(16)	(16)	(16)	(16)
E2	Customers	Revenues and Benefits staffing. A reorganisation of duties within the team following recent retirements. The reorganisation is reflective of both the impact of Universal Credit and increased process automation. It is anticipated to result in cost savings without impacting negatively on service delivery.	Expenditure Reduction	(43)	(43)	(43)	(43)
E3	Resources	Premises cost savings resulting from the development of the Town Lodge Site. The site is unoccupied and estimated savings are subject to satisfactory completion of the handover to the developer, which is expected early in the next calendar year.	Expenditure Reduction	(68)	(68)	(68)	(68)
E4	Place	Reduction in business rates expenditure following Government announcement of intention to allow Rate Relief on Public Conveniences from 1 April 2020	Expenditure Reduction	(11)	(11)	(11)	(11)
E5	Customers	Closure of the Document Centre. With the implementation of the Outbound Mail contract and the move to paperless Committee meetings, the residual work for the Document Centre is not enough to justify keeping it open. Arrangements are being made with a Local Government partner for the provision of print services for the residual work. The saving value includes the financial impact of the Outbound Mail contract and the residual print work that will be externally sourced.	Expenditure Reduction	(107)	(107)	(107)	(107)
E6	Commercial	Revenue impact from acquisition of property investments in line with NHDC's Commercial Strategy and Property Investment Strategy. Investments acquired in line with these two Strategies will produce new income streams for NHDC over the short, medium and long-term, together with income growth potential to offset inflation. Efficiency value is net of estimated cost of associated professional advice and dependent on approval of corresponding capital investment proposal.	Additional Income	TBC	TBC	TBC	TBC
E7	Commercial	Agreement of full repairing lease for Mrs Howard Memorial Hall. The proposed capital investment to replace the boiler and windows will help to advance negotiations with the tenant. If agreed, the full repairing lease will place all maintenance obligations onto the tenant and generate rental income for NHDC. The capital investment will also improve the property's energy efficiency, potentially helping NHDC's ability to secure an increased rent at the next scheduled rent review.	Additional Income	(5)	(5)	(5)	(5)
E8	Commercial	Letchworth Town Hall rental income. NHDC owns Letchworth Town Hall and the asset is held as an investment property. Rental income follows the end of the rent free period of the lease to North Hertfordshire College from the 1st July 2019. The full repairing lease commenced in 2012 and expires on 2nd September 2037, contains no break options, and is subject to an upwards-only rent review mechanism.	Additional Income	(70)	(70)	(70)	(70)
E9	Resources	Payroll function. Savings are anticipated from both payroll service licence costs, having procured a new payroll service from April 2020 that excludes licence costs for the use of the payroll system, and the integration of elections payroll. The new payroll contract was awarded for a period of five years.	Expenditure Reduction	(6)	(5)	(6)	(6)
E10	Commercial	Agreement of tenancy for the 2nd floor at District Council Offices. Total office accommodation savings resulting from the DCO refurbishment of £50k were previously incorporated within the budget estimates. The efficiency value therefore represents only the additional amount anticipated now that the terms of the lease have been finalised.	Additional Income	(20)	(20)	(20)	(20)
E11	Place	AFM income from Herts County Council. The receipt for recycling performance in 2018/19, received in 2019/20, significantly exceeded the budget expectation. The proposal is therefore to adjust the budget estimates to better reflect the Council's current performance. The reduction in the efficiency value beyond 20/21 is due to the HCC proposal to reduce the total amount allocated to collection authorities by 12.5% per annum (approximately £500k per year) for the next three years (impacting receipts from 2021/22). The actual saving achieved will however depend on the Council's recycling performance relative to other Hertfordshire authorities.	Additional Income	(156)	(87)	(26)	-
E12	Chief Executive	Increase in anticipated level of investment interest income due to the reprofiling of the Capital Programme increasing cash balances available for investment. Efficiency value calculation is subject to update and refinement.	Additional Income	(133)	-	-	-
E13	Legal & Community	Reduction in the budget for Chair's civic dinner and awards ceremony. This will be achieved through a combination of charging for attendance and reducing the costs of the event.	Expenditure Reduction	(3)	(3)	(3)	(3)

E14	Resources	Prior to the housing stock transfer the Council provided mortgages to those who wished to exercise their Right to Buy their Council property. The Council acted as lender of last resort. The Council paid a fee for the administration of these mortgages. These mortgages have now all been paid off so the administration is no longer required.	Additional Income	(4)	(4)	(4)	(4)
Total Net Budget Reduction from new efficiency proposals			Total Expenditure Reduction	(254)	(253)	(254)	(254)
			Total Additional Income	(388)	(186)	(125)	(99)
			Total Expenditure Reduction	(642)	(439)	(379)	(353)

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
R1	Place	Core waste services contract expenditure. Retention of the weekly collection of residual waste service for multi-occupancy properties, as per report to Cabinet 30.07.2019.	Additional Expenditure	164	164	164	164
R2	Place	Playground Maintenance. Delay the removal of play equipment at Betjeman Road and Farrier Court in Royston to 31st March 2021 to provide sufficient time to re-evaluate the current Green Space Management Strategy with regard to playground provision in the District and align this with a review of the Medium Term Financial Strategy (as per report to Cabinet 30.07.2019).	Additional Expenditure	4	-	-	-
R3	Commercial	Employment of external RICS Registered Valuer to conduct the Council's annual valuations of its fixed assets, to include investment, surplus and various classes of operational properties.	Additional Expenditure	20	20	20	20
R4	Commercial	Appointment of external consultants to deal with the Arbitration of DCO ground rent.	Additional Expenditure	4	-	-	-
R5	Customers	Investigation of the potential for Artificial Intelligence (AI) software to automate processes to enable customer queries to be dealt with more efficiently and reduce the number of customer contacts. The use of AI software will be subject to a business case, which will need to identify savings on an invest to save basis. Estimated investment is for initial license costs associated with the software solution. On-going revenue costs will be met from the delivery of associated efficiencies.	Additional Expenditure	35	-	-	-
R6	Customers	Extension of temporary administrative support to Careline to the end of March 2021. This additional admin support will no longer be required beyond this date as more automated solutions are implemented over the course of the year.	Additional Expenditure	21	-	-	-
R7	Legal & Community	Creation of new post within the Policy and Community Engagement team to assist with the delivery of the administration's Environmental/ Climate and community engagement priorities.	Additional Expenditure	37	37	37	37
R8	Legal & Community	Creation of new post within the Committee, Member and Scrutiny Services team within Democratic Services to assist with the delivery of the administration's new initiatives/ approaches to community engagement. The team will be providing support to three new panels, with around 18 additional meetings and further scrutiny support in respect of task and finish group reviews.	Additional Expenditure	34	34	34	34
R10	Regulatory	The undertaking of town centre strategy reviews, which form part of the documents supporting the Local Plan. It is proposed that the investment will be required in each of the next four years to cover all four towns.	Additional Expenditure	-	40	40	40
R11	Regulatory	Delivery of a single issue Local Plan review to incorporate any emerging Council Priorities re. Climate Change Emergency into formal planning policy for the District. Dependent on the outcome of current Council Priorities work, the estimated two-year programme (2020/21 & 2021/22) would include commissioning of evidence and examination.	Additional Expenditure	40	40	-	-
R12	Regulatory	Continuation of the Electric Vehicle strategy to incorporate any emerging Council Priorities re: the Climate Change Emergency / air quality. While details are not yet known, future implementation may require accompanying capital expenditure.	Additional Expenditure	20	20	20	-
R14	Regulatory	Creation of additional Principal Planning Officer post within Strategic Planning and Enterprise Team. Anticipated medium-term work programme includes projects requiring independent input at a relatively senior level. This includes (but is not necessarily limited to): Local Plan roll-forward, new settlement and forthcoming reviews of Luton and South Cambridgeshire local plans.	Additional Expenditure	64	64	64	64
R15	Regulatory	To extend the joint Economic Development Officer post (shared with East Herts) for a further 2 years.	Additional Expenditure	26	26	-	-

R16	Regulatory	Creation of a part-time (0.5FTE) Contaminated Land officer post. The new role would increase capacity within the Environmental Health team to concentrate on air quality matters and emerging Climate Change Strategies.	Additional Expenditure	26	26	26	26
R17	Resources	Purchase and maintenance of software that will assist in the implementation the Council's Gender Pay Gap Action Plan.	Additional Expenditure	3	2	2	2
R18	Chief Executive	District Wide Survey. The contract for the next two rounds of the District Wide Survey, which is undertaken every two years, has recently been awarded at a slightly higher value than assumed in the current budget estimates. Investment therefore represents the increase in resource required.	Additional Expenditure	-	2	-	2
R19	Place	Introduction of a discounted annual rate of £20 for garden waste collection for eligible customers from 20/21. The discount would be offered to residents who are in receipt of housing benefit or universal credit (approx. 7000 properties). Estimated impact is based on the current overall uptake of the collection service at 50%, with approximately 3,500 customers moving to the discounted rate.	Income Reduction	47	70	70	70
R20	Chief Executive	Provision of e-bulletin service. Initially funded from the corporate Strategic Priorities Fund, subscribers can sign up to a range of topics including waste, jobs, news, parks and countryside. Current subscriber numbers total 8586 and have grown month on month since the service was launched in September 2018.	Additional Expenditure	7	7	7	7
R21	Chief Executive	Additional year of design and hosting of NH Now digital magazine. With the first edition in September 2018, NH Now magazine is produced 3 times a year and promoted via social media. Focus of magazine is on what makes North Herts a great place to live and work, including profiling community groups, local businesses, places to visit and events. While readership has grown, with only 3 editions produced more time is needed to grow readership and evaluate its success. Proposed to survey Citizens Panel for their views on the magazine next year.	Additional Expenditure	2	-	-	-
R22	Chief Executive	Permanent employment of a Digital Media and Engagement Officer. The current two year fixed term post is funded from the corporate Strategic Priorities Fund. The appointment to the role in March 2019 has however already had a significant impact on the level of engagement with the Council through social media, in particular Facebook, primarily through providing the capability to create more interactive content, e.g. videos, picture stories etc... It is therefore now proposed to make the role permanent from April 2020.	Additional Expenditure	32	32	-	-
R23	Place	Delay to the anticipated efficiency from the provision of a Crematorium at Wilbury Hills (see PE3). Delivery of the crematorium and the revenue efficiency is dependent on a successful planning application. The planning application was refused by Central Bedfordshire Council, but NHDC has submitted an appeal against this decision. Whilst the Council feels that there is a good chance of success in the appeal, it will delay the achievement of any savings. The timing and value of savings is based on the Council making a prompt decision to appoint a new partner to deliver the Crematorium (revised profile would see a £50k saving in 2022/23 and £100k per year from 2023/24 onwards). If the Council decided to build the Crematorium itself then the savings could be greater, but would probably take longer to achieve and would require funding to be allocated through the capital budget.	Income Reduction	50	100	50	-
R24	Resources	Renewable energy - gas. The investment value represents the estimated premium for purchasing renewable (green) gas. This is a premium of around 20% on current costs (an additional 0.7p/kWh compared with current rates of around 3.5p/kWh). The actual cost will depend on the availability at the point of agreeing to the change.	Additional Expenditure	10	10	10	10
R25	Resources	Hitchin Fountain. Lady Dixon has agreed to pay for a new floating fountain to go in front of the church in Hitchin. It is believed that this will provide a more reliable water flow than the old pump. The supplier is prepared to provide free maintenance for the first 2 years if the Council agrees to put up an in keeping plaque near to the fountain. The quote for this maintenance after the first 2 years is just under £3k per year.	Additional Expenditure	-	2	3	3
R27	Chief Executive	Interest cost and minimum revenue provision charge in respect of borrowing to finance proposed property investments in line with NHDC's Commercial Strategy and Property Investment Strategy. Currently assumed at zero, but borrowing will be required for property acquisition and development	Additional Expenditure	TBC	TBC	TBC	TBC
R28	Legal & Community	Reverse reduction in Area Committee Grants so that maintained at £42k per year. See PE5.	Additional Expenditure	8	15	21	25
R29	Commercial	Specialist advice in relation to Co-operative Economic Development.	Additional Expenditure	10	-	-	-
R30	Legal & Community	Provide inflationary increase (2%) for MOUs with CVC and Citizens Advice North Herts.	Additional Expenditure	3	7	10	14
R31	Legal & Community	Provide one-off funding for Citizens Advice North Herts.	Additional Expenditure	50	-	-	-

R32	Legal & Community	Central pot for Area Committee Grants.	Additional Expenditure	10	-	-	-
Total Net Budget Increase from new pressures and investment proposals			Total Additional Expenditure	630	548	458	448
			Total Income Reduction	97	170	120	70
			Total Investments	727	718	578	518

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

	Service Directorate	Description of Proposal	Budget Impact	Efficiency			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
PE1	Customers	Restructure of Revenues team. The use of technology means that the service can absorb these changes with no impact on service delivery.	Expenditure reduction	(6)	(6)	(6)	(6)
PE2	Resources	Reduction in the number of audit days delivered by the Shared Internal Audit Service. Proposed to reduce from 400 days in 2017/18 to 360 days in 2018/19, 320 days in 2019/20 and 300 days from 2020/21 onwards. External Audit no longer place reliance on the work of Internal Audit in respect of key financial systems, hence the substantive testing element of this work is no longer required. The Council generally have good controls and therefore there is scope to reduce the time spent on service audits and still retain capacity to target any identified risk areas. The Audit Manager has advised that at 300 days, SIAS would still expect to be able to provide their annual assurance.	Expenditure reduction	(5)	(5)	(5)	(5)
PE3	Place	Provision of a Crematorium at Wilbury Hills. Delivery of the crematorium and any revenue efficiency is dependent on a successful planning application. The estimated efficiency value is based on the proposed terms of the lease, with NHDC receiving an annual base rent of £10k (indexed annually by RPI) plus a percentage (up to a maximum of 10%) of the turnover generated from the Crematorium. The eligible percentage of turnover would be linked to the number of cremations that take place over a 12 month period.	Additional Income	(50)	(100)	(100)	(100)
PE4	Legal & Community	Cease MOU and contractual payments to identified Community Groups. Baldock Town Centre Partnership. Grant ceasing at the end of 2020/21. Amounts to be paid: 2018/19 £6.8k, 2019/20 £4.6k, 2020/21 £2.3k. Hitchin British Schools Museum. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £4.5k, 2019/20 £2.2k. Sports North Herts. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £3k, 2019/20 £1.5k. Arts Council for North Herts. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £5.5k, 2019/20 £2.8k. Stevenage and North Herts Women's Resource Centre. Ceasing at end of 2019/20. Amounts to be paid: 2018/19 £0.7k, 2019/20 £0.4k.	Expenditure reduction	(9)	(11)	(11)	(11)
PE5	Legal & Community	Rolling reduction in area committee grant budgets equivalent to 20% of annual provision. CBP 20/21 UPDATE: Saving amounts extended to 2023/24	Expenditure reduction	(8)	(15)	(21)	(25)
PE6	Legal & Community	Removal of budget provision for District Council elections in 2021/22 as no elections scheduled to be held. UPDATE CBP 20/21: Efficiency value updated for inflation.	Expenditure reduction	-	(93)	-	-
Total Net Budget Reduction from earmarked efficiencies			Total Expenditure reduction	(28)	(130)	(43)	(47)
			Total Additional Income	(50)	(100)	(100)	(100)
			Total Efficiencies	(78)	(230)	(143)	(147)

Investments earmarked in 2020/21 (and/or beyond) resulting from previous decisions

	Service Directorate	Description of Proposal	Budget Impact	Investment			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
P11	Regulatory	Review of Social Housing stock- On a four yearly basis, procure consultants to analyse the condition of housing stock in North Herts and/or support activity on measures aimed at resultant findings/current priorities (e.g. helping residents introduce energy efficiency measures).	Additional Expenditure	20	-	-	-
P12	Regulatory	Local housing market analysis- Appoint consultant biannually to provide information and analysis on the local housing market in order to inform the development of housing policies and strategies. UPDATE CBP 20/21: Remove expenditure budget in 2023/24 as expenditure is biannual	Additional Expenditure	8	-	8	-
Total Net Budget Increase from earmarked investments			Total Additional Expenditure	28	-	8	-
			Total Income Reduction	-	-	-	-
			Total Investments	28	-	8	-

Savings incorporated since 2019/20 Budget approved by Council in February 2019

Report	Service Directorate	Description of Saving	Budget Impact	Saving			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Q3 2018/19	Regulatory	Car parking income. Increase in car parking income projection based on actual parking income receipts recorded in the first three quarters of 2018/19, which were higher than anticipated.	Additional Income	(88)	(88)	(88)	(88)
Q3 2018/19	Commercial	Ongoing impact of commercial rent uplifts agreed in the quarter (included within the 'other minor variances' total in table 3)	Additional Income	(17)	(17)	(17)	(17)
Outturn 2018/19	Chief Executive	Apprentice Levy. Original estimate based on 'paybill' of £12million. Paybill since defined as only payments to employees subject to employer NI contributions. For 2019/20 total estimated is £10million, with estimated levy payable of £35k (included within the 'other minor variances' total in table 3).	Expenditure Reduction	(10)	(10)	(10)	(10)
Outturn 2018/19	Customers	IT Support & Maintenance. Cost of remote data communications reduced due to HCC retendering their data networks infrastructure. Use of the tender portal for software contracts over £10k enhanced competition, which resulted in lower renewal prices for several contracts (included within 'other minor variances' total in table 3).	Expenditure Reduction	(13)	(13)	(13)	(13)
Outturn 2018/19	Resources	Premises Insurance. Sales invoices are raised to various leaseholders to recover premises insurance costs. The income raised reduces the total net cost of buildings insurance to the Council (included within 'other minor variances' total in table 3).	Additional Income	(10)	(10)	(10)	(10)
Q1 2019/20	-	Staff costs. Annual saving in employee costs from the two voluntary redundancies agreed by Full Council in February 2019.	Expenditure Reduction	(107)	(107)	(107)	(107)
Q1 2019/20	-	Net total of minor permanent budget adjustments requested at quarter 1 ('other minor variances' total at Q1)	Expenditure Reduction	(33)	(33)	(33)	(33)
Q2 2019/20	Place	Staff Costs. Ongoing annual saving from from the implementation of a new staffing structure for Greenspace Services, approved by the Council's Leadership Team, designed to meet the changing demands placed upon the service.	Expenditure Reduction	(58)	(58)	(58)	(58)
Q2 2019/20	Place	Waste, Recycling and Street Cleansing contract expenditure. The anticipated volume of work outside of the core contract - e.g. collection and delivery of bins, bulky waste collection, additional street cleansing - did not materialise through the first eighteen months of the contract. Therefore proposed to reduce budget ongoing.	Expenditure Reduction	(277)	(277)	(277)	(277)
Q2 2019/20	Regulatory	Car park season ticket income. Increase in income expectation reflects the level of car park season ticket sales in 2019/20, which is similar to last year.	Additional Income	(27)	(27)	(27)	(27)
Q2 2019/20	Regulatory	Income from Penalty Charge Notices. A full team of Civil Enforcement Officers in post has led to a greater number of traffic offences being identified and penalty notices issued.	Additional Income	(41)	(41)	(41)	(41)
Total Savings incorporated since 2019/20 budget agreed in February 2019			Total Expenditure Reduction	(498)	(498)	(498)	(498)
			Total Additional Income	(183)	(183)	(183)	(183)
			Total Efficiencies	(681)	(681)	(681)	(681)

Budget Pressures and Investments incorporated since 2019/20 Budget approved by Council in February 2019

Report	Service Directorate	Description of Pressure	Budget Impact	Pressure			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Q3 2018/19	Place	Water and Sewerage costs for Amenity Areas. Invoices based on actual meter readings received for the splash parks highlighted that the estimated bills received previously were significantly underestimated (included in 'other minor variances' total at Q3).	Additional Expenditure	8	8	8	8

Q3 2018/19	-	Net total of minor permanent budget adjustments requested at quarter 3 2018/19 (included in 'other minor variances' total at Q3)	Additional Expenditure	5	5	5	5
Outturn 2018/19	Place	Income from paper collected for recycling. Shortfall in income recorded for 2018/19 was indicative of the continuing fall in paper tonnages collected. Tonnages in 2018/19 were 14% lower than the prior year.	Income Reduction	26	26	26	26
Q1 2019/20	-	Business Rates expenditure. Phased withdrawal of transitional relief. Relief was granted where there were significant changes in the rateable value of Council assets from the 2017 revaluation, most notably in respect of several Council car parks.	Additional Expenditure	10	10	10	10
Q2 2019/20	Legal & Community	District Elections expenditure. Based on cost of delivering 2018 and 2019 district elections, where a similar number of seats were contested, proposed to increase the earmarked budget allocation in future years where elections are scheduled by £25k. Increase in cost attributed to rising venue hire prices and higher numbers of postal votes requested.	Additional Expenditure	25	-	25	25
Q2 2019/20	Place	Government Grant income - Weekly food collections from flats. The original government grant of £853k was issued in 2013/14 on the condition that the Council would provide a weekly food collection service for a minimum of five years, in accordance with the Council's grant application. The grant has since been released to the General Fund over the period to fund the additional revenue costs of delivering this service. The application of £33k in 2019/20 represents the final amount of grant remaining.	Income Reduction	84	84	84	84
Q2 2019/20	Place	Income from paper collected for recycling. Projected income based on tonnages collected in the first half 2019/20 and indicative of the trend of declining volumes of paper presented for recycling apparent in recent years.	Income Reduction	84	84	84	84
Q2 2019/20	Place	Commercial Waste and Recycling services income. Fewer customers for trade residual waste collection in 19/20 than the prior year has reduced the income expectation. Partially offset by growth in demand for commercial recycling collections.	Income Reduction	37	37	37	37
Q2 2019/20	Commercial	Income from Hitchin Town Hall Community Facility. Revised income forecast is based on experience to date since the facility opened in 2017. Now that the museum is fully open, it is anticipated that income generated from the facility will increase in future years in line with the business plan, however it is not expected to meet the current budget in the medium-term.	Income Reduction	192	192	192	192
Q2 2019/20	Regulatory	Parking permits online booking system. Software upgrade allows payment to be processed and permit to be automatically issued. Previously after the payment was made online, the details would then need to be entered on the parking management system to issue the permit (included within 'other minor variances' total in table 3).	Additional Expenditure	13	13	13	13
Q2 2019/20	Customers	Government grant income - Business rates cost of collection allowance. Ongoing budget estimate adjusted in line with current level of eligible funding (included within 'other minor variances' total in table 3).	Income Reduction	8	8	8	8
Q2 2019/20	-	Net total of minor permanent budget adjustments requested at quarter 2 2019/20 (included in 'other minor variances' total in table 3)	Additional Expenditure	6	6	6	6
Budget Report 2020/21	-	Triennial Pension Scheme Valuation. Increases in annual lump sum [fixed] contribution recommended by the actuary over the next three years.	Additional Expenditure	27	55	84	84
Budget Report 2020/21	-	Net total of minor permanent budget adjustments requested in the month 8 monitoring within the 20/21 budget report (included in 'other minor variances' total in table 6)	Additional Expenditure	1	1	1	1

Total Net Budget Increase			Total Additional Expenditure	95	98	152	152
			Total Income Reduction	431	431	431	431
			Total Pressures Arising	526	529	583	583

Previously agreed changes, including updates to amounts

Proposed revised amounts in yellow

Reference	Service Directorate	Description	Budget Impact	Pressure / Saving			
				2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Q1 2018/19 Revenue Monitor	Commercial	Recruitment of two additional officers to the Commercial Support Team within the Commercialisation Service Directorate. The new posts will lead on the development of a housing investment company and explore new commercial opportunities, while also mapping out, supporting and developing internal services to increase commercial capacity. It is estimated that additional annual resource up to a maximum of £125k is required to meet the cost of the new positions; with maximum additional expenditure in 2018/19 of half this amount (£62.5k) should the recruitment process be successful. The Council's Senior Management Team recommended that the cost of the first two years of these posts should be funded from the Special reserve. UPDATE CBP 2020/21: Profile of pressure updated to reflect appointment to posts at the start of 2019/20 (zero spend in 2018/19)	Pressure	-	125	125	125
-	Chief Executive	Reduction in annual interest payments relating to outstanding loans with Public Works Loans Board. The annual interest payments reduce as the loan principal is repaid. UPDATE CBP 2020/21: Estimates updated and extended to 2023/24	Saving	(1)	(2)	(3)	(5)
Council 31st August 2017		Annual interest (fixed at 3.5%) receivable from NHDC loan to SLL for purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres, approved by Council in August 2017, decreases as the loan principal is repaid. UPDATE CBP 2020/21: Interest income estimate extended to remove interest income budget in 2023/24 (loan principal will be fully repaid by the end of March 2023)	Pressure	3	7	11	13
-	Chief Executive	District Wide Survey (estimated cost £16k) and Citizens' Panel (estimated cost £8k) take place in alternate years. UPDATE CBP 2020/21: Proposed to reprofile budget for Citizens' Panel from a biannual £8k budget to an annual £4k budget as the postal survey of the Panel every two years will no longer take place. There will instead be more regular engagement, including putting on focus groups.	Saving	(12)	4	(12)	4
Total Net Budget Impact			Total Pressures	3	132	136	138
			Total Savings	(13)	2	(15)	(1)
			Net Budget Impact	(10)	134	121	137

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Appendix C - General Fund Estimates for 2020/21 to 2023/24 (addendum)

All amounts £000	2020/21	2021/22	2022/23	2023/24
Net expenditure brought forward	14,597	15,124	14,974	14,956
Planned delivery of savings previously identified	-78	-149	84	0
Planned Investments previously approved	28	-28	8	0
Other previously identified adjustments in future years	56	73	-5	0
Ongoing impact of variances reported in year	-41	70	49	5
New savings proposals	-642	203	60	26
New investment proposals	727	-10	-140	-60
Net pay increments	-25	50	50	50
Pay inflation	262	200	200	200
Forecast Contractual Inflation	169	350	350	350
Forecast Income Inflation	-157	-280	-274	-289
Investment allowance in future years	0	0	0	0
2019/20 Budgets Carried Forward	230	-230	0	0
Further savings tbc	0	-400	-400	-550
Total Net Expenditure	15,124	14,974	14,956	14,688
Council Tax Income	-11,752	-12,122	-12,498	-12,880
Council Tax Collection Fund (Surplus) / Deficit	55	0	0	0
Release of NNDR pooling gain	-368	0	0	0
(Negative) Revenue Support Grant	0	1,136	1,159	1,182
Business Rates	-2,726	-2,780	-2,836	-2,893
New Homes Bonus	-713	-350	-131	0
Other (Council Tax Reduction Scheme payment to Parishes)	39	24	24	24
Total Funding	-15,465	-14,092	-14,282	-14,567
Net funding position (use of reserves)	-341	881	673	120
General Fund b/f (includes transfers detailed in paragraph 8.4.4)	8,387	8,387	7,915	7,241
Funding Equalisation Reserve	341	-409	0	0
General Fund c/f	8,387	7,915	7,241	7,121

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**COUNCIL
6 FEBRUARY 2020**

***PART 1 – PUBLIC DOCUMENT**

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

REPORT OF THE SERVICE DIRECTOR- RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND IT

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

1.1 The Investment Strategy provides the following key information:

- A capital programme of £9.357m in 2020/21 and £23.524m for the period 2021/22 to 2024/25.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2020/21)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy
- The scope of treasury investments where the Council will invest any surplus cash.

2. RECOMMENDATIONS

- 2.1. That Cabinet recommend to Council the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- 2.2. That Cabinet recommend to Council the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.11 to 8.16).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.
- 3.2 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Each proposed capital scheme is the result of consideration of options for continuous service improvement by the relevant Service Director in consultation with the relevant Executive Member.
- 4.2 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2019. Notes of the comments and questions raised at the workshops were provided to Cabinet in December.
- 5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.3 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision, as the ultimate decision is made by Full Council. However it has been included on the Forward Plan and was first notified to the public on 11 October 2019. This was on the basis that there could have been an Executive decision required.

7. BACKGROUND

- 7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District and a review of the Medium Term Financial Strategy. Finance and other resources are aligned to the strategic priorities as set out in the Council Plan.
- 7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2019/20. The report advised that total expenditure of £11.881m would be required to deliver the current capital programme for 2019-2024, with £5.886m forecast to be spent in 2019/20. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2019.

Table 1

	2019/20 £m	2020/21 £m	2021/22 to 2023/24 £m
Original Estimate approved by Full Council February 2019	8.213	0.962	2.128
Changes approved by Cabinet in 2018/19 Capital Outturn Report	1.007	0	0
Changes approved by Cabinet at 1 st Quarter	-1.398	1.408	0
Changes approved by Cabinet at 2 nd Quarter	-1.936	1.450	0.047
Current Capital Estimates	5.886	3.820	2.175

7.3 Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2019. Notes of the comments and questions raised at the workshops were provided to Cabinet in December.

7.4 The Treasury Strategy Statement for 2019/20 was approved by Council in February 2019. A mid year review of the Treasury Strategy was provided to Council in January 2020. There have been no changes made to the Strategy during the course of 2019/20.

8. RELEVANT CONSIDERATIONS

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

- New capital investment proposals totalling £32.945m
- A total capital programme for the period of 2020/21 to 2024/25 of £32.881m.
- Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators

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

- Appendix A1- A full list of planned future capital expenditure (2020/21 onwards)
- Appendix A2- A list of new capital schemes and schemes planned to commence from 2020/21

8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.

- 8.4 As detailed in table 7 on page 14, there is an allocation of £20m that is aligned to the Property Acquisition and Development Strategy. In addition, there is an allocation of £3m for spend on residential property that is funded from capital reserves and programmed in 2019/20. This is likely to slip into 2020/21 and will be reported in the third quarter monitoring report. Tables 8 (on page 16) provide an assessment of the Security, Liquidity and Yield of the projected spend on these assets. Table 9 (on page 16) details that the assessment of the expected risk of loss will be carried out as part of individual business cases.
- 8.5 As detailed in table 11 (on page 17) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £3.8m of borrowing in 2020/21, rising to £4.9m in 2023/24, £11.5m in 2024/25 and up to £20.0m by the end of 2029/30. As detailed on page 19, the Council can consider whether to borrow internally or externally. The advantages and disadvantages of each are also considered on pages 19 and 20. Based on this, and the uncertainty over value and timing of capital receipts it is considered that the Council should assume that it will need to borrow externally. This will be given further consideration at the time that any borrowing is needed. If the forecast is that the need is more likely to just be for a short period (e.g. there is greater certainty over capital receipts) or there is a clearer indication over future interest rates (e.g. they are not likely to rise) then internal borrowing will be reconsidered. It is also possible that there will not be the need to borrow that is identified if there is slippage on the capital programme, this is particularly likely in relation to the investments described in paragraph 8.4 above as they are dependent on there being the right opportunities.
- 8.6 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). For external borrowing there is also a need to pay interest costs. The need to borrow in effect comes from the decision that has been made to invest £20m in line with the Property Acquisition and Development Strategy. The primary reason for any such investment is for the purposes of its functions or the benefit, improvement or development of its area. However investments will only be taken forward if they generate a return of 1.5% above the greater of the actual or notional cost of capital (to calculate an assumed cost of MRP and interest to reflect opportunity cost where it is actually funded from capital reserves). This reflects suitable compensation for the risks of property investment. This return has not been factored in the revenue budgets and nor will the costs of capital (interest charges and MRP). This is considered to be a prudent net approach to take. The totals for Treasury Indicator 6 on page 24 are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 7% for new investments (2.5% MRP + 3% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 5.5% (2.5% MRP and 3% interest).

- 8.7 As detailed on page 25, as the Council has a borrowing requirement, it needs to determine a MRP policy. The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore it is considered appropriate to use adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.
- 8.8 Table 17 on page 29 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following changes are proposed compared to last year:
- Last year there was a combined limit of 60% for Building Societies and Property Funds. Property Funds are generally exposed to commercial property and Building Societies to residential property. Therefore it is proposed to remove this link.
 - Instead Building Societies will be linked to the capital allocation for investment in residential properties, and this will be limited to 60% of the total available funds. Note that the total available funds are made up of the cash balances (as detailed in table 15 on page 26) plus the £3m for residential properties.
 - Given the uncertainty over the actual amount that will be invested in line with the Property Acquisition and Development Strategy, this total is not included within this table. It is also considered that the Strategy itself and each business case will help to ensure that there is cumulative diversification in this investment. The nature of the legal powers available for such investment will generally limit the focus to North Hertfordshire and the surrounding area. An investment in a property fund (as a treasury investment) will have much wider diversification in terms of number of properties, type of properties and location of properties. It is therefore not considered to create a direct linkage between a property fund and capital spend through the Property Acquisition and Development Strategy. However it is considered appropriate to limit investments in UK property funds to 10% in any one fund (or combination of funds).
 - To add the option to invest in Ultra-Short Dated Bond Funds. These funds invest in fixed income instruments with very short maturity dates, usually up to one year. This generally provides better returns than money market funds. Whilst this does introduce some capital risk, this is minimised by the short-term nature of such investments. The proposal is that such investments make up a maximum of 10% of the total balance.
- 8.9 Within the investment market, the opportunity for 'green' investments is starting to emerge. These are offering returns that are similar to, or the same as, non-green alternatives for the same level of risk. Subject to these investments being compliant with other aspects of the treasury strategy, then these investments will be prioritised over non-green alternatives.
- 8.10 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.

- 8.11 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.
- 8.12 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:
- This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
 - This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
 - This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 8.13 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs are substantially unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code’s key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):
- TMP1- Risk Management
 - TMP2- Performance Measurement
 - TMP3- Decision making and analysis
 - TMP4- Approved instruments, methods and techniques
 - TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
 - TMP6- Reporting requirements and management information arrangements
 - TMP7- Budgeting accounting and audit arrangements
 - TMP8- Cash and cash-flow management
 - TMP9- Money laundering
 - TMP10- Staff training and qualifications
 - TMP11- Use of external service providers
 - TMP12- Corporate Governance
- 8.14 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

- 8.15 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.6.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (a) (iii) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.
- 8.16 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

9. LEGAL IMPLICATIONS

- 9.1 Full Council will decide the overall capital budget (Constitution 4.3) and approve the treasury management strategy statement (Constitution 4.4.1 (dd)).
- 9.2 Cabinet will recommend to Full Council the annual capital budget (Constitution 5.6.38) and treasury management strategy statement (Constitution 5.6.39).
- 9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).
- 9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Service Director- Resources.
- 9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

10. FINANCIAL IMPLICATIONS

- 10.1 These are covered in section 8.

11. RISK IMPLICATIONS

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

- 11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks.

12. EQUALITIES IMPLICATIONS

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

- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2020/21 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

- 14.1. There are no direct human resources implications arising from this report.

15. APPENDICES

- 15.1. Appendix A- Investment Strategy
15.2. Appendix A1- A full list of planned capital expenditure (2020/21 onwards)
15.3. Appendix A2- A list of new capital schemes and schemes planned to commence from 2020/21

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1. None

Appendix A

Investment Strategy (Integrated Capital and Treasury Strategy)

Part 1- Overview

Introduction

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

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

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

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

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

The format of this strategy is as follows:

Part 2- Capital Spend

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

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

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

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

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

Part 5- Investment Strategy

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

Part 6- Overall Risk considerations

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

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

Reporting requirements

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

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

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

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

Basis of Estimates

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

The Council has experienced some cost increases on capital projects in the past. These have generally arisen from delays in the start of the project and subsequent inflation rather than incorrect estimates. Budget Holders have been asked to be as realistic as they can be about the timing of projects, and ensure that forecast costs are aligned to the expected timing. There will also be external factors that affect estimates, particularly the impacts of the United Kingdom's withdrawal

from the European Union. For capital projects, there is some flexibility to the extent to which they can overspend without further approval (ranging from 5% to 20% dependant on value) and this is considered in setting this overall strategy and in the quarterly monitoring.

Treasury Management Policy and Treasury Management Practices

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

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

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

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

Treasury Consultant

The Council renewed its contracted with Link Asset Services to provide treasury management advice for the three year period October 2019 – September 2022. It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure that undue reliance is not placed upon Link. However there is value in employing external providers

of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

The performance of the treasury consultant is assessed through regular meetings and the justifications for the advice provided.

Skills and culture

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

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	<p>Required to formally adopt this Strategy.</p> <p>Required to approve any capital purchase over £2.5m.</p>	<p>Annual training that provides an introduction to Local Authority funding and accounting.</p> <p>Training session in 2018/19 provided by Link (the Council's treasury advisors) on risk and how it can be assessed, particularly in relation to capital investment.</p>
Finance, Audit and Risk Committee	<p>To review the Council's policies on Treasury, Capital and the Medium Term Financial Strategy.</p> <p>To monitor the effective development and operation of risk management.</p>	<p>Members of the Committee (and substitutes) are encouraged to complete a skills self-assessment. This allows the targeting of specific training.</p> <p>Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.</p>
Chief Finance Officer and Finance Team	<p>Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management.</p> <p>Responsible for reviewing and amending the financial implications sections of reports.</p>	<p>Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.</p>
Senior Management Team (SMT)	<p>Individual Service Directors will be responsible for putting forward proposals.</p> <p>Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process.</p> <p>Members of SMT are likely to be involved in negotiating commercial deals.</p>	<p>Training session on risk, risk appetite and assessing risk.</p> <p>Regular updates on the Council's funding and finances, including significant changes in regulations.</p> <p>Training on the core principles of the prudential framework.</p>

Part 2- Capital Spend

Current Capital Assets

As at 31st March 2019, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	18,252
Surplus Land and buildings	Various	Held for future sale or development	11,072
Offices and Storage	DCO	Staff offices, customer service centre and democratic facilities	5,604
Offices and Storage	Unit 3	Off-site storage, back-up IT and emergency planning	407
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	7,368
Leisure Facilities	Letchworth Outdoor Pool	Service use	2,676
Leisure Facilities	North Herts Leisure Centre	Service use	12,612
Leisure Facilities	Royston Leisure Centre	Service use	7,519
Leisure Facilities	Pavilions	Service use	1,759
Leisure Facilities	Recreation Grounds / Play Areas / Gardens/Allotments	Service use	5,919
Community Centres and Halls	Various	Community facilities, generally operated by third parties	11,545
Markets	Hitchin Market	To provide a market	136
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	12,491
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,425
Cemeteries	Various	Service use	1,465
Community Safety	Various CCTV cameras	Service use	40
IT	Various computer equipment and software	To enable the delivery of other services	322
Parking	Various car parks	Service use	9,478
Waste Collection	Bins	Service use	666
Waste Collection	Vehicles	Service use	2,724
Public Conveniences	Various	Subject to leases/ management arrangements	558
Other	Various	Various	476
Total			107,217

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
Investment Properties	Residential Housing	To generate rental income/ capital appreciation, including conversion of Harkness Court	2,981
REFCUS	Cycle Strategy	Cycle Strategy	278
REFCUA	Transport Plans	Transport Plans	250
IT	Various computer equipment and software	To maintain IT service and provision of equipment in the Council Chamber	586
Various	Various	Capital maintenance of Council buildings	87
Leisure Facilities	Hitchin Swim Centre / Archers	New lift in the Swim Centre. Refurbishment of toilets and showers at outdoor pool. New fitness equipment.	19
Leisure Facilities	Letchworth Outdoor Pool	Refurbishment of toilets and showers at outdoor pool. New safety flooring.	20
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Decommissioning of play areas, using Capital Receipts direction. Refurbishment of other retained play areas.	558
Museums and Arts	Hitchin Town Hall and District Museum	Mainly works to the Town Hall	190
Parking	Multi-storey car parks	Lighting at Letchworth Multi-storey, wall works at Lairage Car Park, Hitchin.	60
Parking	Street Charging	Install on street charging and pay and display	285
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS).	383
Grants	Various	Disabled Facilities Grants and private sector housing grants S106 Grants (REFCUS)	189
Total			5,886

Capitalisation Policy:

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

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

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.5m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.9m)	A long lease with upward only rent reviews.	On the basis that it generates a reasonable rental stream, likely to be some interest as an investment. Therefore low to medium liquidity.	Valuations are based on the yield generated.
Letchworth Town Hall (value £0.6m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Bungalow, Gernon Road, Letchworth (value £0.4m)	Not currently let as a residential premises.	Medium liquidity as part of potential land sale.	None currently
Beverley Close Store, Royston (value £0.1m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court)	The demand for housing is considered to be greater than an office building. Therefore the expenditure on a conversion scheme is expected to increase the security of the asset.	The asset will be more liquid with the benefit of planning permission and building regulation approval.	Not currently generating any income. The conversion will increase the capital value / enable generation of rental income.
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

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

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

- Assessment of the market that competing in, including nature and level of competition, market and customer needs including how these will evolve over time, barriers to entry and exit, and ongoing investment required.4+
- Use of external advisers and how the quality of these is monitored
- Whether credit ratings are used and how these are monitored
- Any other sources of information that are used

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

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.5m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.9m)	Valued on a fair value basis. The valuation is based on rental yields.	External valuations have been commissioned in recent years. These have highlighted the difficulties that face retail and shopping centres in particular. However, the freehold that the Council has is on beneficial terms, and as a result there is a market due to investment returns. Maintenance is the responsibility of the leaseholder. Valuation reports have been checked and challenged by the Council's chartered surveyors.
Letchworth Town Hall (value £0.6m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall there currently an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.
Beverley Close Store, Royston (value £0.1m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Bungalow, Gernon Road, Letchworth (value £0.4m)	Valued on a fair value basis, reflecting residential property prices	<p>As a residential property, demand remains relatively good. It is competing against other residential properties on the market. There is a risk of a general down-turn in residential property prices.</p> <p>As part of a wider development, a sale has been agreed subject to planning. This is expected to complete around April 2020.</p> <p>If this sale was not successful, an alternative plan would be to retain the property and let through a Council owned company, which would then generate a revenue income.</p>
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed

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

Use of Capital Receipts Direction:

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

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
Existing Capital Programme-schemes 2020/21 onwards							
Various	Capital maintenance based on condition surveys	433	255	0	0	0	0 (tbc)
Computer Software & Equipment	To maintain IT services	160	80	475	59	367	1,604
Letchworth Multi-storey car park		134	0	0	0	0	0
Parks and Playgrounds – Howard Park and Holroyd Cres	Replacement and renovation	85	0	0	0	0	0
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	300
Various Leisure Facilities	Condition Survey enhancements	23	0	39	140	0	0
New Capital Programme							
Cemeteries: St Johns, Ickneild Way, Wilbury Hills	Enhance footpaths	20	60	0	10	40	30
Computer Software & Equipment	To maintain IT services	83	0	30	95	54	142
Hitchin Swim Centre	Refurbishment and boiler replacement	40	20	30	40	200	905
North Herts Leisure Centre	Refurbishment and boiler replacement	290	250	130	290	0	270
Royston Leisure Centre	Refurbishment	0	0	255	0	150	380
Various Parks and Playgrounds	Enhancements	0	180	268	405	215	900
NH Museum and Community Facility	Platform Lift Solution	40	0	0	0	0	0
Mrs Howard Hall	Replace Boiler & Windows	63	0	0	0	0	0
Reprogramming (as at Quarter 2)							
Various	Growth Fund Projects	185	0	0	0	0	0
Computer Software & Equipment	To maintain IT services	232	0	0	0	0	0
Various off-street car parks	Resurfacing	0	0	47	0	0	0
Lairage Multi-storey car park	Lifts refurbishment and safety improvements	471	0	0	0	0	0
St Mary's Car Park	Replace and enhance lighting	60	0	0	0	0	0
Various Leisure Facilities	Condition Survey enhancements	64	0	0	0	0	0

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
Wilbury Recreation Ground	Replace items of play equipment	10	0	0	0	0	0
Total		2,453	905	1,334	1,099	1,086	4,531

The totals for 2025/26 to 2029/30 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

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

New Capital Assets

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

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
Existing Capital Programme-schemes 20120/21 onwards							
Walsworth Common Pavilion	New pavilion	0	300	0	0	0	0
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	0	1,000	0	0	0
John Barker Place	Contribution to redevelopment	1,096	0	0	0	0	0
Community Centres and Halls (various)	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS)	120	0	0	0	0	0
New Capital Programme							
Acquisition of Property Investments	Acquisition of Property Investments	4,000	4,000	4,000	4,000	4,000	0
NH Museum and Community Facility	Museum Storage Solution	1,000	200	0	0	0	0
On-Street Parking	Parking Charging, Payment & Management	235	0	0	0	0	0

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
Waste and Recycling	Vehicles	0	0	0	0	0	4,000
Waste and Recycling	Northern Transfer Station	0	0	0	0	1,600	0
Hitchin Town Hall	Hitchin Town Hall Additional Bar & Glasswre Infrastructure	25	0	0	0	0	0
Reprogramming (as at Quarter 2)							
S106 funding for Hockey Pitch Royston	New Hockey Pitch	129	0	0	0	0	0
Community Centres and Halls (various)	Grants for refurbishment of community facilities (REFCUS)- allocated in 2020/21 but could be spent across a number of years.	300	0	0	0	0	0
Total		6,905	4,500	5,000	4,000	5,600	4,000

Below is an estimate of the total capital expenditure to be incurred in the years 2020/21 to 2024/25. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2020/21 to 2024/25

Year	£m
2020/21	9.357
2021/22	5.405
2022/23	6.334
2023/24	5.099
2024/25	6.686

A full list of planned future capital expenditure (2020/21 onwards) is provided as Appendix A1. A list of new capital schemes and schemes planned to commence from 2020/21 is provided in Appendix A2.

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

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Residential Property	<p>The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. Individual market factors will be considered prior to acquisition.</p> <p>It is likely that the property will be held through a company. The Council's interest will therefore be secured via a loan or equity holding. Any loan can be secured against property. Any equity interest does not offer the same security, but it may be required due to HMRC rules on the funding of companies.</p>	Property is a medium to long-term asset due to the costs of buying and selling. However it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.	The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.
Investments in line with the Property Acquisition and Development Strategy (£20m)	<p>As detailed in the Property Acquisition and Development Strategy, the security of investments will be given a high weighting in determining which ones to take forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties. Spreading the total investment over a number of properties will help mitigate the second of these.</p>	Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature. The Property Acquisition and Development Strategy targets those properties that are considered to be more liquid e.g. they have a wider range of tenants and/ or uses.	To reflect the risk of property investment a net surplus of 1.5% (above borrowing, administration and acquisition costs) will be targeted as a minimum.

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

Table 9

Asset (or type of asset)	Assessment of the risk of loss
Residential Property	This will be fully assessed as part of the business case for the acquisition of any properties.
Investments in line with the Property Acquisition and Development Strategy	This will be fully assessed as part of the business case for the acquisition of any properties.

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

Capital Funding

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

Table 10

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
Forecast Receipts (£000)	890	8,712	6,800	Tbc	Tbc	Tbc

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

As a result of planned expenditure in 2019/20 and future years, the Council forecasts the following use of funding for capital (table 11).

Table 11

Funding Source	Brought forward (at 31/3/19)	Forecast expenditure and funding sources (£000)						
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
Capital Expenditure		5,886	9,357	5,405	6,334	5,099	6,686	8,531
Less: Set-aside receipts used	5,910	3,562	2,348	0	0	0	0	0
Less: Capital receipts used	2,580	1,299	2,645	5,118	6,334	3,989	60	0
Less: Grant funding used		578	185	0	0	0	0	0
Less: IT Reserve used		5	0	0	0	0	0	0
Less: S106 receipts used		229	399	37	0	0	0	0
Less: Funding from revenue		0	0	0	0	0	0	0
Less: Other Capital Contributions		213	0	250	0	0	0	0
Borrowing requirement		0	3,780	0	0	1,110	6,626	8,531

Definitions:

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

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

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

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31 st March 2019 (actual)	-6.0
As at 31 st March 2020 (forecast)	-2.4
As at 31 st March 2021 (forecast)	3.8
As at 31 st March 2022 (forecast)	3.8
As at 31 st March 2023 (forecast)	3.8
As at 31 st March 2024 (forecast)	4.9

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

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

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

Borrowing strategy

Definitions:

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

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

Based on Prudential Indicator 2 (page 18) the Council has a Capital Financing Requirement from 2020/21 onwards and therefore does have a need to borrow.

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

Table 12

Revenue balance	Brought forward (at 31/3/19)	Forecast balance at year end						
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30
General Fund ¹	7,862	8,400	8,400	8,232	7,717	7,610	7,610	7,610
Add back MRP	0	0	0	0	0	0	0	0
Revenue Reserves ²	7,183	7,683	8,183	8,683	9,183	9,683	10,183	6,183
S106 balances	3,159	2,930	2,494	2,494	2,494	2,494	2,494	2,494
Provisions	1,527	1,527	1,527	1,527	1,527	1,527	1,527	1,527
Outstanding Debt	440	423	4,185	3,978	3,769	4,670	11,030	15,276
Total	20,171	20,963	24,789	24,914	24,690	25,984	32,844	33,090

1 Based on General Fund forecasts as per 'Revenue Budget 2020/21' report up to 2023/24, then assumed that net expenditure and funding will match.

2 Revenue Reserve balance as at 31/3/19 as per 'Revenue Budget 2019/20' report. Then increases in line with contributions to waste vehicle reserve at £500k per year for 7 years. At end of 7 years assumed that this funding will be used to fund new waste vehicles. For simplicity this ignores some of the fluctuations in reserve balances that are detailed in the 'Revenue Budget 2020/21' report.

MRP is added back as it is not an outflow of cash and can be used for internal borrowing. The cash outflow happens when the borrowing is repaid. As explained in the Revenue Budget report, MRP has not been reflected in the revenue budgets so there is not a need to add it back.

As well as the availability of revenue funding, the Council would also need to consider the advantages and disadvantages of external borrowing. Interest rates are still at very low levels and are only expected to go up, which will increase the cost of external borrowing in the future. It may

also be possible to generate higher returns from investing revenue reserves than the interest costs that would be saved. However this has to be balanced against the certainty of interest costs that will be incurred as soon as borrowing is taken out. There is also a need for the Council to retain a certain buffer of revenue reserves as cash to manage the peaks and troughs in its cash balances. Whilst the Council can borrow for short-term cash-flow needs, this can become expensive. Whatever strategy is adopted, it should be prudent.

Without the forecast capital receipts income, the Council's borrowing need would be a lot higher. These receipts are subject to estimates both in terms of value and timing. Given this uncertainty it is considered that the Council should assume that it will need to borrow externally. This will be given further consideration at the time that any borrowing is needed. If the forecast is that the need is more likely to just be for a short period (e.g. there is greater certainty over capital receipts) or there is a clearer indication over future interest rates (e.g. they are not likely to rise) then internal borrowing will be reconsidered. It is also possible that there will not be the need to borrow that is identified if there is slippage on the capital programme.

Table 13

	Brought forward (at 31/3/19)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/30)
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30	
Total borrowing requirement	440	0	3,780	0	0	1,110	6,626	8,531	0
Made up of:									
Internal borrowing	0	0	0	0	0	0	0	0	0
External borrowing	440	0	3,780	0	0	1,110	6,626	8,531	15,276

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

Definitions:

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

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

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities¹ £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31 st March 2019 (forecast)	0.440	2.628	3.068	4.2	10
As at 31 st March 2020 (forecast)	0.423	2.125	2.548	4.0	10
As at 31 st March 2021 (forecast)	4.185	1.622	5.807	6.9	12
As at 31 st March 2022 (forecast)	3.978	1.119	5.097	6.9	12
As at 31 st March 2023 (forecast)	3.769	0.616	4.385	5.5	12
As at 31 st March 2024 (forecast)	4.670	0.113	4.783	6	12
As at 31 st March 2025 (forecast)	11.030	0	11.030	12.1	18

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

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

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/20 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	08/01/49	80	Oct 2025	5,346	990	3.125	34
	16/09/49	80	Jul 2029	380	46	3.0	1
	10/05/46	80	Jan 2026	10,150	1,797	3.125	62
	12/11/48	80	Jul 2028	13,885	3,420	3.0	110
	23/09/60	60	Jul 2020	4,570	139	6.125	21
	18/08/61	60	Jul 2021	13,817	1,376	7.0	141
	28/07/64	60	Jul 2024	15,801	3,801	6.0	260
	02/03/65	60	Jan 2025	19,558	5,153	6.0	348
	01/10/65	60	Jul 2025	33,976	9,710	6.0	648
	05/07/66	60	Jan 2026	35,000	10,761	6.0	711
	02/08/66	60	Jul 2026	50,000	16,425	6.0	1,076
	18/03/68	60	Jan 2028	40,000	17,820	7.375	1,403
	03/01/69	60	Jul 2028	53,027	26,301	8.125	2,265
	06/03/70	60	Jan 2030	20,100	11,630	8.75	1,064
	24/11/70	60	Jul 2030	18,714	11,696	9.5	1,156
	26/01/71	60	Jan 2031	25,000	16,277	9.75	1,646
	05/03/71	60	Jan 2031	12,500	7,908	9.25	760
	05/03/71	60	Jan 2031	25,000	15,820	9.25	1,520
	31/05/46	80	Jan 2026	9,570	1,773	3.125	62
	28/02/47	80	Jan 2027	5,832	1,079	2.5	30
	18/10/46	80	Jul 2026	1,527	264	2.5	7
	20/02/48	80	Jan 2028	14,952	3,492	3.0	113
	22/09/50	80	Jul 2030	654	193	3.0	6
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	259	3.125	9
	16/09/49	80	Sep 2029	640	174	3.0	6
	20/03/53	80	Mar 2033	1,020	439	4.125	19
	23/10/53	80	Sep 2033	750	317	4.0	13
	20/11/53	80	Sep 2033	420	181	4.0	8
	25/04/52	80	Mar 2032	480	196	4.25	9
30/01/48	80	Sep 2027	1,560	344	3.0	11	
20/09/45	80	Sep 2025	16,690	3,076	3.125	111	
Total					422,857		

Definitions:

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

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However these indicators are set relatively high to provide sufficient flexibility to respond to opportunities to repay or take out new debt (if it was required), while

remaining within the parameters set by the indicators. Due to the low level of existing borrowing, the under 12 months limits have a broad range to allow for cash-flow borrowing (if it was required).

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

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

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

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

Definitions:

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

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

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2019/20	1.5	1.5	0.5
2020/21	5.3	5.3	1.6
2021/22	5.8	5.8	1.7
2022/23	4.9	4.9	1.5
2023/24	5.9	5.9	1.8
2024/25	11.8	11.8	3.5

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

The totals below are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 7% for new investments (2.5% MRP + 3% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 5.5% (2.5% MRP and 3% interest).

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2020/21	25.820	1.663	3.780	0.208
2021/22	29.820	1.943	3.780	0.208
2022/23	33.820	2.273	3.780	0.208
2023/24	37.820	2.603	4.891	0.269
2024/25	41.820	2.883	11.516	0.633

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

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. This could be considered to apply to the purchase of housing for renting at market rates. However this has been in the capital programme for a few years and is funded from capital receipts, so is not subject to this restriction. As detailed in the property development and acquisition strategy the primary purpose of the £20m investment is for the purposes of the Council's functions or the benefit, improvement or development of the area. Any surplus is necessary to justify this investment but is not the primary purpose.

Minimum Revenue Provision

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

Minimum Revenue Provision:

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

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

- Equal instalments – The principal repayment made is the same each year.
- Or
- Annuity – the principal repayments increase over the life of the asset. This has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

The Council will have a need to borrow in 2020/21 if the Capital programme is fully spent and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore it is considered appropriate to adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.

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

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2020/21 to 2024/25

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2020/21	0.249	14.974	1.66
2021/22	0.248	14.819	1.67
2022/23	0.247	14.797	1.67
2023/24	0.306	14.675	2.09
2024/25	0.668	14.675	4.55

Part 5- Investment Strategy

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

Table 15

Balances	Brought forward (at 31/3/19)	Forecast balance at year end (£000)					
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue balances (including MRP added back)	20,171	20,963	24,789	24,914	24,690	25,984	32,844
Capital Receipts	2,580	1,755	0	3,523	4,977	0	0
Capital Grants Unapplied	938	938	938	938	938	938	938
Add: Long-term liabilities ¹	2,628	2,125	1,622	1,119	616	113	0
Less: Capital Financing Requirement	-5,974	-2,411	3,717	3,717	3,717	4,827	11,453
Less: Borrowing repayments	16	17	18	207	209	209	267
Total forecast of available for investment	32,275	28,175	23,614	26,570	27,295	21,999	22,062

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

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

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

Before considering where the Council will invest any surplus cash in treasury investments, it firstly needs to consider any loans that it may want to make for other purposes. A local authority can

choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures. These loans can relate to service provision or to promote local economic growth. These loans may not seem prudent when considered purely in relation to security and liquidity. Table 16 details current and planned loans and shows the reasons for these loans, how their value is proportionate, the risk of loss and credit control arrangements that are in place.

Table 16

Loan	Amount (£000)	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	107	To support the formation of the company. The Council is also a shareholder in the company, owning 1/7 th of the shares.	Insignificant in the context of overall cash balances. Around 0.4% of total investments.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Tbc, up to £3m	To provide the company with finances to purchase and develop property assets. These properties will then be let or sold to generate income and profit.	Based on investment limits in table 17 below, it could be the equivalent of one investment in a bank or building society. Also included within treasury limits to ensure diversification in relation to residential property.	Any loan would be secured against the property assets of the company. Expected credit loss would be looked at in more detail in advance of any loans being granted, and linked to the planned use of those funds.

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

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

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

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds, but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected balance at the end of the year (2020/21)* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. The limits are shown in table 17 below.

* This is the balance taken from table 15 above of £23.6m, but adjusted for the £3m potential capital investment in residential investment. This is included as the £3m investment is included within the limits to ensure diversification.

Table 17

Investment Type	Maximum amount in that type of investment (£m)	Maximum amount in group (£m)	Maximum amount with any individual counterparty (£m)	Rationale and details
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	3	10% with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit	20	4	3	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 75% with banks in total
Lloyds Current Account		n/a	5	Used for cashflow purposes
Non-UK banks- includes deposits and Certificates of deposit		7	3	AAA Country rating and AA-and above institution rating. Maximum of 10% with any one counterparty. Maximum of 25% in non-UK banks. 75% in banks in total.
UK Building Societies- assets of £300m to £1bn	n/a	16	2	Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £2m. Maximum of 60% with UK Building Societies and Property Funds combined.
UK Building Societies- assets of over £1bn			3	As above, but £3million
Rated UK Building Societies			3	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
Residential Property Investment			3	N/A
UK Property Funds	3		3	10% in any one fund or combination of funds. No durational limits.
Money Market Funds	7	n/a	3	AAA rated. Maximum of 25% in MMFs and 10% with any one fund.
Ultra-Short Dated Bond Funds	3		1	AAA rated. Maximum of 10% in USDBFs and £1M with any one fund.

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater than 1 year (365 days). This limit is based on 40% of total investments, but is again reflected as an absolute value of **£11m** (was 12m), which is based on 40% of the expected level of investments at the end of the year. Investments with a set term of greater than 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 40% of the estimated balance. No investment term will exceed 5 years.

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

Within the investment market, the opportunity for 'green' investments is starting to emerge. These are offering returns that are similar to, or the same as, non-green alternatives for the same level of risk. Subject to these investments being compliant with other aspects of the treasury strategy, then these investments will be prioritised over non-green alternatives.

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

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

The Council maintains a treasury risk on its risk register.

There is some link between the interest rates that the Council can expect to achieve on its investments and the Bank of England base rate. Our treasury advisors (Link) have provided the following forecasts of base rates over the next 3 years. Using this and the investment limits above, we have estimated an average interest rate that the Council will achieve on its investments in each year.

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2019/20	0.75	1.25
2020/21	1.00	1.25
2021/22	1.00	1.25
2022/23	1.25	1.5

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

Table 19

	2020/21	2021/22	2022/23	2023/24	2024/25
Forecast of average balance available for investment (£m)	26.1	26.2	27.4	22.2	22.2
Forecast of average interest earned on investments (%)	1.25	1.25	1.25	1.5	1.5
Forecast of interest earned (£m)*	0.326	0.327	0.343	0.333	0.334
Current interest assumed in the revenue budget.	0.300	0.167	0.167	0.167	0.167

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

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

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

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2019/20	0.042	0.374	-0.332	15.136	-2.193
2020/21	0.249	0.317	-0.068	14.974	-0.454
2021/22	0.248	0.344	-0.096	14.819	-0.648
2022/23	0.247	0.353	-0.106	14.797	-0.716
2023/24	0.306	0.380	-0.074	14.675	-0.504
2024/25	0.668	0.334	0.334	14.675	2.276

Part 6- Overall Risk Considerations

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

The Council's investments assets generally comprise of ground leases on commercial properties that are all within North Hertfordshire. The main exception to this is the freehold of the Churchgate Shopping Centre in Hitchin. A property fund generally invests in building (and land) assets that provide higher yields, and also diversifies across the United Kingdom. They also currently tend to focus on industrial, warehouses and office buildings. This means that there is limited cross-over in risk exposure, and before investing in a property fund (current investments are zero) the Council would review the current investments of the selected fund. Furthermore this strategy limits any investment in a property fund to a maximum of £3m.

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

Part 7- Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Priority	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 - 29/30 Estimate £
Advances & Cash Incentives							
John Barker Place, Hitchin		1,096,000	0	0	0	0	0
Advances & Cash Incentives Total	0	1,096,000	0	0	0	0	0
Asset Management							
Acquisition of Property Investments		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	0
Provide housing at market rents.	2,981,500	0	0	0	0	0	0
Council property improvements following condition surveys	79,100	432,800	255,000	0	0	0	0
Mrs Howard Hall Replace Boiler & Windows	0	63,000	0	0	0	0	0
Energy efficiency measures	8,500	0	0	0	0	0	0
Asset Management Total	3,069,100	4,495,800	4,255,000	4,000,000	4,000,000	4,000,000	0
Community Services							
Baldock Town Hall project	69,600	0	0	0	0	0	0
Refurbishment and improvement of community facilities	312,900	420,000	0	0	0	0	0
S106 Projects	128,800	128,800	0	0	0	0	0
Community Services Total	511,300	548,800	0	0	0	0	0
Computer Software and Equipment							
40 KVA UPS Device or Battery Replacement	7,000	0	11,000	0	12,000		30,000
Additional Data backup Storage		15,000		15,000		18,000	41,000
Additional PC's - Support Home Working/OAP	13,000	11,000	13,000	11,000	13,000	15,000	76,000
Additional Storage	0	25,000		13,000			45,000
Alternative to safeword tokens for staff/members working remotely		16,000		12,000		18,000	33,000
Back-up Diesel 40 KVA Generator (DCO)	20,000				25,000		0
Cabinet Switches - 4 Floors			18,000			18,000	18,000
Cadcorp Local Knowledge & Notice Board Software	10,200						0
CCTV at DCO & Hitchin Town Hall		15,000			15,000		0
Channel shift - processing of housing register applications	40,000						0
Core Backbone Switch						35,000	40,000
Cyber Attacks - Events Monitoring Software Solution	30,000						0
Data Switch upgrade				15,000		18,000	41,000
Dell Servers	0	65,000				70,000	75,000
DR Hardware Refresh Inc UPS Battery Pk (Unit 3)					55,000		60,000
DR Set-up	49,800						0
EA Agreement (MS EA)	358,000		0	390,000			888,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract		39,000					0
Email Encryption Software Solution		45,000					0
Laptops - Refresh Programme		6,000	6,000		5,000		10,000
Mobile Device Management Software		18,000				18,000	0
New Blade Enclosure	0	32,000				40,000	52,000
PC's - Refresh Programme	19,800	17,000	17,000	17,000	17,000	23,000	108,000
Replacement SAN	0	110,000				115,000	120,000
Security - Firewalls	14,000	14,000		14,000		16,000	36,000
Tablets - Android Devices	14,000	12,000	15,000	18,000	12,000	17,000	73,000
Telephony system	10,600						0
WiFi Upgrades for DCO & Hitchin Town Hall		35,000					0
Computer Software and Equipment Total	586,400	475,000	80,000	505,000	154,000	421,000	1,746,000
Growth Fund Projects							
Cycle Strategy implementation (GAF)	278,000	0	0	0	0	0	0
Green Infrastructure implementation (GAF)		185,000	0	0	0	0	0
Transport Plans implementation (GAF)	250,000	0	0	0	0	0	0
Growth Fund Projects Total	528,000	185,000	0	0	0	0	0
Leisure Facilities							
Avenue Park Splash Park	0	0	0	0	70,000	0	0
Bancroft & Priory Splash Pads	0	0	0	0	0	35,000	0
Bancroft Lighting	0	0	0	0	45,000	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	164,200	0	0	0	0	0	0
Decommissioning of Play Areas	103,800	0	0	0	0	0	0
Football Goal Replacement Program	0	0	0	15,000	0	0	0
Hitchin & Letchworth Outdoor Pool Automatic Chemical Dosing Pumps	20,000	0	0	0	0	0	0
Hitchin Outdoor Pool Showers and Toilets	9,200	0	0	0	0	0	0
Howard Gardens Splashpad	0	0	0	33,000	0	0	0
HSC Boiler Replacement	0	0	0	0	0	200,000	0
HSC Future Refurbishment	0	0	0	0	0	0	905,000
HSC Indoor Pool Cover Replacement	0	0	20,000	0	0	0	0
HSC Outdoor Pool Boiler Replacement	0	40,000	0	0	40,000	0	0
HSC Reception Toilet Refurbishment	0	0	0	30,000	0	0	0
Ickneild Way Cemetery Footpaths	0	0	50,000	0	0	0	0
Ivel Springs Footpaths	0	0	0	10,000	0	0	0
Leisure Condition Survey Enhancements	0	23,000	0	39,000	140,000	0	0
Leisure Condition Survey Enhancements	0	64,000	0	0	0	0	0
Letchworth Outdoor Pool safety surface	10,000	0	0	0	0	0	0
Newmarket Road Royston Skatepark & Access	0	0	0	0	60,000	0	0
NHLC Boiler Replacement	0	0	200,000	0	0	0	0

Capital Programme

Appendix A1

Priority	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 - 29/30 Estimate £
NHLC Dryside Changing Area	0	0	0	100,000	0	0	0
NHLC Interactive Water Feature	0	0	0	0	0	0	120,000
NHLC Outdoor Pool Boiler Replacement	0	40,000	0	0	40,000	0	0
NHLC Pool Flume Replacement	0	0	0	0	0	0	150,000
NHLC Reception Toilet Refurbishment	0	0	0	30,000	0	0	0
NHLC Refurbish Gym Floor	0	0	50,000	0	0	0	0
NHLC Refurbishment of Gym Members Changing Rooms	0	200,000	0	0	0	0	0
NHLC Replace Circulation Pipework	0	50,000	0	0	0	0	0
NHLC Sauna Steam Refurbishment	0	0	0	0	250,000	0	0
Norton Common Footpaths	0	0	0	0	10,000	0	0
Norton Common Wheeled Sports improvements	37,100	0	0	0	0	0	0
Oughtonhead Common Footpaths	0	0	0	0	20,000	0	0
Play Ground Renovation District Wide	0	0	180,000	180,000	180,000	180,000	900,000
Ransoms Rec Footpaths, Gates and Railing	0	0	0	10,000	20,000	0	0
Renovate play area Howard Park, Letchworth	0	75,000	0	0	0	0	0
Renovate play area King George V Recreation Ground, Hitchin	75,000	0	0	0	0	0	0
Renovate play area, District Park, Gt. Ashby	75,000	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	0	10,000	0	0	0	0	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	0	10,000	0	0	0	0	0
Replace items of play equipment, Chiltern Road, Baldock	10,000	0	0	0	0	0	0
RLC Changing Village Refurbishment	0	0	0	225,000	0	0	0
RLC Dry Side Toilet Refurbishment	0	0	0	30,000	0	0	0
RLC Future Refurbishment	0	0	0	0	0	0	380,000
RLC Members Change Refurbishment	0	0	0	0	0	150,000	0
Royston Leisure Centre extension	0	0	0	1,000,000	0	0	0
St Johns Cemetery Footpath	0	10,000	0	0	0	30,000	0
Walsworth Common Pavilion - contribution to scheme	0	0	300,000	0	0	0	0
Walsworth Common Pitch Improvements	92,500	0	0	0	0	0	0
Weston Hills LNR Footpath Renovation	0	0	0	20,000	0	0	0
Wilbury Hills Cemetery Footpaths	0	10,000	10,000	0	10,000	10,000	30,000
Leisure Facilities Total	596,800	532,000	810,000	1,722,000	885,000	605,000	2,485,000
Museum & Arts							
Hitchin Town Hall Acoustic Panelling	30,000	0	0	0	0	0	0
Hitchin Town Hall Additional Bar & Glasswre Infrastructure	0	25,000	0	0	0	0	0
Hitchin Town Hall Additional Bar Facility	15,000	0	0	0	0	0	0
Hitchin Town Hall Sprung Floor Replacement	75,000	0	0	0	0	0	0
NH Museum & Community Facility	69,800	0	0	0	0	0	0
Museum Storage Solution	0	1,000,000	200,000	0	0	0	0
NH Museum Platform Lift Solutions	0	40,000	0	0	0	0	0
Museum & Arts Total	189,800	1,065,000	200,000	0	0	0	0
Parking							
Installation of trial on-street charging (GAF)	50,000	0	0	0	0	0	0
Lairage Multi-Storey Car Par - Structural wall repairs	10,000	110,700	0	0	0	0	0
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	0	133,800	0	0	0	0	0
Letchworth multi-storey car park - lighting	19,700	0	0	0	0	0	0
Off Street Car Parks resurfacing and enhancement	30,000	0	0	47,100	0	0	0
Parking Charging, Payment & Management	0	235,000	0	0	0	0	0
Refurbishment of lifts at Lairage Car Park	0	360,000	0	0	0	0	0
Replace and enhance lighting at St Mary's Car Park	0	60,000	0	0	0	0	0
Town Centre pay & display machines for on-street charging	235,000	0	0	0	0	0	0
Parking Total	344,700	899,500	0	47,100	0	0	0
Renovation & Reinstatement Grant Expenditure							
Private Sector Grants	60,000	60,000	60,000	60,000	60,000	60,000	300,000
Renovation & Reinstatement Grant Expenditure Total	60,000	60,000	60,000	60,000	60,000	60,000	300,000
Waste collection							
Northern Transfer Station	0	0	0	0	0	1,600,000	0
Waste and Street Cleansing Vehicles	0	0	0	0	0	0	4,000,000
Waste collection Total	0	0	0	0	0	1,600,000	4,000,000
Grand Total	5,886,100	9,357,100	5,405,000	6,334,100	5,099,000	6,686,000	8,531,000

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Service Director	Description of Proposal	Total Project Investment 2020/21 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment 2025 - 2030	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)	
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Asset Management and Investment														
ECP3	Property Services	Service Director - Resources	Council property improvements following condition surveys	688	-	433	255	0	0	0	0	0	0	Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to 29 of those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs. The level of 'backlog' maintenance is also proposed as a national performance indicator by Central Government. An amount of £150k was approved to undertake the urgent works in 2014/15, based upon surveys carried out to date. In following years a full 5 year programme will be applied, based upon completed condition surveys or the whole estate. this is complementary to the Community Halls strategy (CHS), although covers a larger number of properties than those subject to CHS, i.e., it puts in place funds to allow works to be done that may assist in progressing that strategy (e.g. full repairing/partial repair leases). To help ensure that this project is delivered in the timeframe estimated within the Capital Programme, the investment was allotted over three years with an annual capital allocation of £255k from 2019/20.
NCP4	Property Services	Service Director - Resources	Replacement of boiler & windows at Mrs Howard Memorial Hall, Letchworth Garden City	63	-	63	0	0	0	0	0	-5	A new boiler/heating system and new windows are required. The current heating system and windows are past the end of their useful life and yield poor energy efficiency. The heating system in particular is unreliable, requires frequent ongoing maintenance and replacement parts are increasingly difficult to source. The investment will also smooth negotiations with the tenant over a full repairing lease and the generation of annual rental income.	
NCP48	Property Services	Service Director - Resources	Acquisition and Development of Property	20,000	-	4,000	4,000	4,000	4,000	4,000	0	tbc	Property investments in line with the Acquisition and Development Strategy	
Sub-Total: Asset Management and Investment				20,751	-	4,496	4,255	4,000	4,000	4,000	-	5		
Grants to Third Parties														
ECP1	Housing Services	Service Director - Regulatory	Private Sector Grants	600	-	60	60	60	60	60	300	0	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAG funding is also used to support the Warm Homes Fund project where homes without central heating are provided with gas central heating. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold. In February 2015 Council approved an increase in the level of funding from £35k to £60k per annum for 2015/16 and future years. UPDATE CBP 20/21: Proposed to extend annual investment across the period of the ten year investment strategy (earmarked until 2023/24 in existing programme)	

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Service Director	Description of Proposal	Total Project Investment 2020/21 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment 2025 - 2030	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP7	Housing Services	Service Director - Regulatory	John Barker Place, Hitchin	1,096	270	1,096	0	0	0	0	0	0	Cabinet agreed to the commitment to the John Barker Place regeneration scheme in January 2013, subject to the availability of funds.
ECP4	Estates	Service Director - Commercialisation	Refurbishment and improvement of community facilities	420	-	420	0	0	0	0	0	0	To provide a five year fund from 2016/17 towards the refurbishment and improvement of community facilities in both rural and urban areas of North Hertfordshire with a total capital allocation over the period of £1.206m
Sub-Total: Grants to Third Parties				2,116	270	1,576	60	60	60	60	300	-	
Externally financed projects													
ECP28	Planning Services	Service Director - Regulatory	S106 Projects	129	129	129	0	0	0	0	0	0	Capital allocation is for the provision of an all weather hockey pitch in Royston. Originally intended to be located on the Heath, but as this is a public open space permission will not be granted to create an enclosed area on the Heath. Officers are looking to see if the S106 funds can be used at an alternative location in Royston.
ECP3	Planning Services	Service Director - Regulatory	Green Infrastructure implementation (GAF)	185	185	185	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
Sub-Total: Externally financed projects				314	314	314	-	-	-	-	-	-	

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Service Director	Description of Proposal	Total Project Investment 2020/21 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment 2025 - 2030	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)	
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Parking Related Proposals														
ECP8	Property Services	Service Director - Resources	Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	134	-	134	0	0	0	0	0	0	0	Works to preserve this income generating asset in usable condition. The soffits are the internal ceiling coverings i.e. underside to the decks. Works requirement originally identified during earlier surfacing works due to some ceiling materials falling off.
ECP29	Property Services	Service Director - Resources	Lairage Multi-Storey Car Par - Structural wall repairs	111	-	111	0	0	0	0	0	0	0	Works to preserve this income generating asset in usable condition. Works necessary to protect surface following experience at Letchworth multi-storey.
ECP32	Property Services	Service Director - Resources	Refurbishment of lifts at Lairage Car Park	360	-	360	0	0	0	0	0	0	0	Estimated cost of the refurbishment of the four lifts. The work will be required to ensure that the lifts operate safely and reliably.
ECP33	Property Services	Service Director - Resources	Replace and enhance lighting at St Mary's Car Park	60	-	60	0	0	0	0	0	0	0	The existing lighting columns within the car park have suffered from ongoing electrical supply problems and structural decay. A temporary solution has been provided to provide lighting, however the existing columns need replacing. The lighting in the remainder of the car park is not to current recommended levels. This scheme will address all of these issues with new, energy efficient, lighting columns.
ECP38	Property Services	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	47	-	0	0	47	0	0	0	0	0	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable.
NCP46	Parking	Service Director - Regulatory	Parking Charging, Payment and Management	235	-	235	0	0	0	0	0	0	0	Revision in scope of existing capital allocation for the the implementation of town centre pay & display machines for on-street parking. With the advance of technology it is considered that the use of physical machines and tickets is outdated. As such, this proposal seeks to utilise the capital allocation to still focus on charging, payment and management of parking but through more customer orientated systems. This proposal will encompass (where appropriate) a move to virtual payment and permits/tickets, pay-on-exit for car parks as identified within the Council's Parking Strategy.
Sub-Total: Parking				947	-	900	-	47	-	-	-	-	-	
Waste Collection														
NCP49	Waste Services	Service Director - Place	Northern transfer station (Waste and Recycling)	1,600	-	0	0	0	0	1600	0	0	0	Herts County Council are planning to build a waste and recycling transfer station which could accommodate both North and East Herts Councils residual, food and garden waste. This would enable surety on a long term disposal route for the materials. The anticipated build cost for this element of the site is circa 1.6m. The agreement for the site and confirmation on whether this is going ahead however is tbc.
NCP50	Waste Services	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	4,000	3,200	0	0	0	0	0	4000	0	0	It is anticipated that the cost of replacing the current fleet of vehicles will have increased due to inflation by the time of required purchase in 2025/26. The vehicles currently in operation are held on the Council's balance sheet under a finance lease arrangement embedded within the waste contract, with the associated charge for their use met from the Council's cash reserves rather than the General Fund. As such the annual saving to the General Fund is transferred to an earmarked reserve with the intention that this will be used to help finance the cost of the new vehicles.

CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Service Director	Description of Proposal	Total Project Investment 2020/21 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment 2025 - 2030	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sub-Total: Waste Collection				5,600	3,200	-	-	-	-	1,600	4,000	-	
Leisure Related Proposals													
ECP6	Leisure Facilities	Service Director - Place	Leisure Condition Survey Enhancements	266	-	87	0	39	140	0	0	0	A physical condition survey was carried out at all four leisure facilities in 2018. The survey identified all works that were needed and/ or would become necessary over the following five year period. Planned spend of £64k in 2019/20 means a total investment of £266k.
ECP18	Leisure Facilities	Service Director - Place	Royston Leisure Centre extension	1,000	170	0	0	1,000	0	0	0	0	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council. UPDATE CBP 20/21: Proposed to bring investment forward by one year from 2023/24 to 2022/23.
Sub-Total: Leisure				1,266	170	87	-	1,039	140	-	-	-	
New Leisure Proposals - Hitchin Swim Centre													
NCP13	Leisure Facilities	Service Director - Place	HSC: Reception toilet refurbishment	30	-	0	0	30	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
NCP17	Leisure Facilities	Service Director - Place	HSC: Outdoor Pool Boiler Replacement	80	-	40	0	0	40	0	0	0	Hitchin outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.
NCP19	Leisure Facilities	Service Director - Place	HSC: Boiler Replacement	200	-	0	0	0	0	200	0	0	Boilers are 15+ years old and are at the end of their economic lifespan. While repair works are carried out on a regular basis there is a risk that, if they are not replaced, they may fail which could result in pool closure.
NCP20	Leisure Facilities	Service Director - Place	HSC: Indoor Pool Cover Replacement	20	-	0	20	0	0	0	0	0	The indoor Pool cover and electric roller is over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP23	Leisure Facilities	Service Director - Place	HSC: Future Refurbishment	905	-	0	0	0	0	0	905	0	Future investment proposed beyond 2024/25 includes refurbishment of; 2025/26: Archers Member Change and Relaxation Area (£300k) 2026/27: Change village (£225k) and Fitness facility (£50k) with purchase of new gym equipment (£300k) and a new outdoor pool cover (£30k)
Sub-Total: Leisure - Hitchin Swim Centre				1,235	-	40	20	30	40	200	905	-	
New Leisure Proposals - Letchworth													
NCP8	Leisure Facilities	Service Director - Place	NHLC: Circulation Pipework Replacement	50	-	50	0	0	0	0	0	0	The existing circulation pipework is brittle and fragile which has resulted in several failures in the past. A full replacement is proposed which includes pipework, inlets, seals and support brackets.
NCP9	Leisure Facilities	Service Director - Place	NHLC: Refurbishment of Gym Floor	50	-	0	50	0	0	0	0	0	The gym floor was laid in 2006, after 13 years the floor has now come to the stage where it can no longer be repaired and requires replacing. To ensure customer satisfaction is maintained a full replacement of the flooring in the main gym and weights area is proposed.
NCP10	Leisure Facilities	Service Director - Place	NHLC: Boiler Replacement	200	-	0	200	0	0	0	0	0	The two boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk if they are not replaced they may fail which could result in a closure.
NCP14	Leisure Facilities	Service Director - Place	NHLC: Reception toilet refurbishment	30	-	0	0	30	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
NCP51	Leisure Facilities	Service Director - Place	NHLC: Dryside Changing Area	100	-	0	0	100	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side changing areas is proposed.
NCP16	Leisure Facilities	Service Director - Place	NHLC: Refurbishment of Gym Members Changing Rooms	200	-	200	0	0	0	0	0	0	The gym members changing rooms were last refurbished in 2006. Due to the high use of these areas their condition has deteriorated and no longer meets customer expectations. To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled changing areas is proposed.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP11	Leisure Facilities	Service Director - Place	NHLC: Sauna Steam Refurbishment	250	-	0	0	0	250	0	0	0	The steam and sauna area was last refurbished in 2006. To ensure customer satisfaction is maintained a proposal to fully refurbish the area is proposed.
NCP24	Leisure Facilities	Service Director - Place	NHLC: Interactive Water Feature	120	-	0	0	0	0	0	120	0	Investment proposal earmarked for 2027/28. To ensure continued improvements and customer satisfaction within our leisure facilities a project to transform the small pool into a highly interactive water play area for children of all age and ability groups is proposed. The proposed features for this area allow children to explore and discover their watery environment, and teaches them how to manipulate the flow of water through channels and interactive jets.
NCP25	Leisure Facilities	Service Director - Place	NHLC: Pool Flume Replacement	150	-	0	0	0	0	0	150	0	Investment proposal earmarked for 2028/29. The pool flume was installed in 1992 and due to its age a proposal to replace the flume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool.
NCP18	Leisure Facilities	Service Director - Place	Letchworth Outdoor Pool Boiler Replacement	80	-	40	0	0	40	0	0	0	Letchworth outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.
Sub-Total: Leisure - Letchworth				1,230	-	290	250	130	290	-	270	-	
New Leisure Proposals - Royston Leisure Centre													
NCP12	Leisure Facilities	Service Director - Place	RLC: Dry side Toilet Refurbishment	30	-	0	0	30	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.
NCP15	Leisure Facilities	Service Director - Place	RLC: Change Village Refurbishment	225	-	0	0	225	0	0	0	0	The change village is over 17 years old and has not been refurbished since opening in 2005. A full refurbishment of the change village is proposed to ensure customer satisfaction is maintained.
NCP21	Leisure Facilities	Service Director - Place	RLC: Members Change Refurbishment	150	-	0	0	0	0	150	0	0	The members changing room is over 17 years old and has not refurbished since opening in 2005. To ensure customer satisfaction is maintained a proposal to fully refurbish the male, female and disabled areas is proposed.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP22	Leisure Facilities	Service Director - Place	RLC: Future Refurbishment	380	-	0	0	0	0	0	380	0	Future investments proposed for beyond 2024/25 include; 2025/26: Replacement of pool windows (£80k) 2026/27: Refurbishment of Fitness facility (£50k) with purchase of new gym equipment (£150k) 2027/28: Replacement of boiler (£100k)
Sub-Total: Leisure - Royston Leisure Centre				785	-	-	-	255	-	150	380	-	
Green Space Developments													
NCP29	Parks & Countryside Development	Service Director - Place	Football Goal Replacement Program	15	-	0	0	15	0	0	0	0	The existing football goals do not meet current FA standards and are in some cases dangerous due to corrosion or misuse. While the posts are repainted annually this only delays their deterioration. Normally posts are replaced at the beginning of the season on a need only basis based upon their condition - not if they meet FA standards.
NCP37	Parks & Countryside Development	Service Director - Place	Play Ground Renovation - District Wide	1,620	-	0	180	180	180	180	900	0	Moving forward from the existing policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This technically would ensure that each play area is renovated on an 18 year cycle which still far exceeds manufacturer lifespan guidelines.
Sub-Total: Green Space Developments				1,635	-	-	180	195	180	180	900	-	
Green Space Developments - Baldock													
ECP10	Parks & Countryside Development	Service Director - Place	Replace items of play equipment Holroyd Cres, Baldock	10	-	10	0	0	0	0	0	0	Listed as a project for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. Holroyd Cres is a large play area serving a large housing development. Some items of equipment have been identified as nearing end of life and in need of replacement.
NCP26	Parks & Countryside Development	Service Director - Place	Avenue Park Splash Pad	70	-	0	0	0	70	0	0	0	To replace the existing mains fed system with a recirculating system as found at our other splashpads. This will reduce water usage and help maintain good levels of water quality. Additionally this will help reduce the problems of algae on the surfacing which has caused significant injuries due to slipping in the past.
NCP33	Parks & Countryside Development	Service Director - Place	Ivel Springs Footpaths	10	-	0	0	10	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
NCP41	Parks & Countryside Development	Service Director - Place	Weston Hills LNR Footpath Renovation	20	-	0	0	20	0	0	0	0	Many of the footpaths around the site are of an informal nature and are not currently compliant with disability access requirements. In order to minimise erosion of the existing footpath network the surfacing needs updating and renovating.
Sub-Total: Green Space Developments - Baldock				110	-	10	-	30	70	-	-	-	

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Green Space Developments - Hitchin														
ECP13	Parks & Countryside Development	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	300	287	0	300	0	0	0	0	0	0	This project was originally listed as a project for 2016/17 in the Council's adopted Green Space Management Strategy 2014 - 2019. The project was slipped into 2017/18 pending the outcome of the Green Space Strategy review. Following the review, this project is now earmarked for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. The project is dependent on securing section 106 contributions and/or external grants. In the review, the pavilion was identified as being beyond economic repair. UPDATE CBP 2020/21: Proposed to reprofile investment from 2020/21 to 2021/22.
NCP27	Parks & Countryside Development	Service Director - Place	Bancroft and Priory Splash Pads	35	-	0	0	0	0	35	0	0	0	These two systems were introduced 4 years ago and use the same systems to maintain water quality. Over time the systems wear and require replacement of the filter media and uv systems to ensure that they remain effective.
NCP28	Parks & Countryside Development	Service Director - Place	Bancroft Lighting	45	-	0	0	0	45	0	0	0	0	To remove the existing out of date and potentially dangerous lighting around the gardens and replace with new items. This would significantly improve personal safety of the public.
NCP36	Parks & Countryside Development	Service Director - Place	Oughtonhead Common Footpaths	20	-	0	0	0	20	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
NCP39	Parks & Countryside Development	Service Director - Place	Ransoms Rec Footpaths gates and railings	30	-	0	0	10	20	0	0	0	0	Many of the footpaths are degrading and becoming uneven and would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. The formal gates and railings off Nightingale Road are in need of investment to ensure they remain safe, fit for purpose and of an appropriate standard for the location.
NCP40	Parks & Countryside Development	Service Director - Place	St Johns Cemetery Footpaths	40	-	10	0	0	0	30	0	0	0	Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Planning for the renewal of the Greenspace Management Strategy in 2021. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. Due to other priorities and limited staffing resources this is planned for 2024/25. In the meantime urgent repairs will be completed on an adhoc urgency basis.
Sub-Total: Green Space Developments - Hitchin				470	287	10	300	10	85	65	-	-		
Green Space Developments - Letchworth														
ECP9	Parks & Countryside Development	Service Director - Place	Renovate play area Howard Park, Letchworth	75	-	75	0	0	0	0	0	0	0	Listed as a project for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. Situated in a town centre location, the high level of usage causes wear on equipment.
ECP37	Parks & Countryside Development	Service Director - Place	Replace items of play equipment Wilbury Recreation Ground, Letchworth	10	-	10	0	0	0	0	0	0	0	Listed as a project for 2019/20 in the Council's adopted Green Space Management Strategy 2017 - 2021. The recreation ground has a good catchment area with a range of equipment for all ages. Some items of equipment are however nearing end of life and in need of replacement.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP31	Parks & Countryside Development	Service Director - Place	Howard Gardens Splashpad	33	-	0	0	33	0	0	0	0	The facilities at Howard Gardens are now over 10 years old since the site was renovated with support of a HLF Grant. The equipment in the plant room is now well worn and is in need of renewal.
NCP32	Parks & Countryside Development	Service Director - Place	Ickneild Way Cemetery Footpaths	50	-	0	50	0	0	0	0	0	Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site.
NCP42	Parks & Countryside Development	Service Director - Place	Wilbury Hills Cemetery Footpaths	70	-	10	10	0	10	10	30	0	Due to high volumes of visitors the existing footpath network through the site are wearing out this program will support an investment program over a period of time to maintain current standards.
NCP52	Parks & Countryside Development	Service Director - Place	Norton Common Footpaths	10	-	0	0	0	10	0	0	0	To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
Sub-Total: Green Space Developments - Letchworth				248	-	95	60	33	20	10	30	-	
Green Space Developments - Royston													
NCP35	Parks & Countryside Development	Service Director - Place	Newmarket Road Royston Skatepark and Access	60	-	0	0	0	60	0	0	0	Following the success of the new facility at Norton Common the existing item at Newmarket Road is in need of renovation and updating at the same time now the site is becoming more popular access into the site requires improvement and formalising.
Sub-Total: Green Space Developments - Royston				60	-	-	-	-	60	-	-	-	
Museum and Arts Development													
NCP43	Hitchin Town Hall	Service Director - Commercialisation	Hitchin Town Hall Additional Bar and Glassware Infrastructure	25	-	25	0	0	0	0	0	0	Replacement of original bar (new second bar installed this year). This would allow the keg couplers and other such items to be universal at the bars. Also proposed to install glass washers, an ice machine, a stock of glassware, and the racking to store these within the store room. This would reduce waste and recycling, while also allowing the waiver of current glass hire costs from quotes, which may help attract more bookings.
NCP44	Museum	Service Director - Commercialisation	North Herts Museum Platform Lift Solutions	40	-	40	0	0	0	0	0	0	The full opening of North Herts Museum in July 2019 has since highlighted that the two platform lifts within North Herts Museum are extremely temperamental and frequently break down. Due to the lifts being handed over in 2015, there is no way of holding the installation company accountable. It is therefore proposed to either replace the lifts or redesign both the main entrance and the access through the Mountford Hall so that the facility is fully accessible. The amount quoted for these works is a best estimate.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP45	Museum	Service Director - Commercialisation	Museum Storage Solution	1,200	-	1000	200	0	0	0	0	0	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures which are increasingly posing a health and safety risk to our staff. This project will involve relocating parts of the museum collection whilst the previously mentioned storage units are levelled and a new purpose built storage unit is built on the site. The storage unit will comprise of space saving roller racking, climate controlled spaces for fragile items of the collection and a small amount of office space for museum staff to utilise when on site. This office space could also be used under supervision to assist with third party research such as students or historians. The amount requested is an initial estimate, extrapolated from previous external costing exercises on a smaller storage unit on the site. It is the opinion of officers however, that a larger site would future proof the museum storage facilities and more costing work will need to be undertaken to provide a more precise quotation for the development. The completion of this work would see the former Hitchin Museum and Letchworth Museum sites be completely cleared of museum storage.
Sub-Total: Museum and Arts Development				1,265	-	1,065	200	-	-	-	-	-	
IT Schemes:													
NCP1	IT	Service Director - Customers	Back-up Diesel 40 KVA Generator (DCO)	25	-	0	0	0	25	0	0	0	As part of Business Continuity and improving services, the authority purchased a Diesel Generator in 2015/16. The proposed investment in 2023/24 is for the renewal of this hardware.
NCP2	IT	Service Director - Customers	Additional Data Backup Storage	89	-	15	0	15	0	18	41	0	As the amount of data being stored is increasing annually, there is a need to ensure we keep adding additional storage to cope with the demands of the back-up storage.
NCP3	IT	Service Director - Customers	CCTV at DCO & Hitchin Town Hall	30	-	15	0	0	15	0	0	0	Replace the existing CCTV Controllers with newer, faster technology including more disc space to capture enhanced images. The cameras will remain.
NCP4	IT	Service Director - Customers	Data Switch Upgrade	74	-	0	0	15	0	18	41	0	The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly.
NCP5	IT	Service Director - Customers	DR Hardware Refresh Inc UPS Battery Pk (Unit 3)	115	-	0	0	0	55	0	60	0	Hardware upgrade within the Disaster Recovery centre at Unit 3, as part of the hardware refresh programme. This includes the Servers, Switches and UPS at the DR Centre at Unit 3.
NCP6	IT	Service Director - Customers	Mobile Device Management software	36	-	18	0	0	0	18	0	0	Replace the current Mobile Device Management software, which enables the Council to lock down mobile devices and provides the ability to remotely wipe these, should they be lost or stolen. The replacement system will be a modern cloud solution meaning that any future upgrades can be done remotely without the need for the device to be brought into the Council Offices
NCP7	IT	Service Director - Customers	WiFi Upgrades for DCO and Hitchin Town Hall	35	-	35	0	0	0	0	0	0	To replace the current ageing equipment with newer and faster technology

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP2	IT	Service Director - Customers	PC's - Refresh Programme	199	-	17	17	17	17	23	108	0	PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the citrix thin client technology. UPDATE CBP 20/21: Annual allocations updated in line with latest ICT Strategy
ECP20	IT	Service Director - Customers	Additional PC's - Support Home Working/OAP	139	-	11	13	11	13	15	76	0	The authority has a large PC/Monitor estate which as part of the ICT Service Plan requires refreshing annually. UPDATE CBP 20/21: Annual allocations updated in line with new ICT Strategy
ECP5	IT	Service Director - Customers	Tablets - Android Devices	147	-	12	15	18	12	17	73	0	As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. The tablets also facilitate paperless Committee Meetings. UPDATE CBP 20/21: Annual allocations updated in line with new ICT Strategy
ECP15	IT	Service Director - Customers	Security - Firewalls	80	-	14	0	14	0	16	36	0	Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure. UPDATE CBP 20/21: £14k earmarked for 21/22 is proposed to be brought forward to 20/21 with a new amount of £14k earmarked in 22/23. £18k requested in 2026/27 and 2028/29 in line with ICT Strategy.
ECP16	IT	Service Director - Customers	Cabinet Switches - 4 Floors	54	-	0	18	0	0	18	18	0	This hardware connects each floor across the DCO to each other and back to the IT Data Centre on the ground floor. This hardware is the essential piece of kit that routes the traffic from desktops to the data servers and hence keeping this technology up to date and modern is essential to ensure data speeds are maintained. UPDATE CBP 20/21: Allocations requested in 2024/25 and 2027/28 in line with ICT Strategy.
ECP19	IT	Service Director - Customers	40 KVA UPS Device or Battery Replacement	53	-	0	11	0	12	0	30	0	The operation life of the batteries within the UPS Systems is 3 years and they need to be replaced periodically. The authority has got 3 40 KVA UPS Systems which have varying battery sizes installed. UPDATE CBP 2020/21: Additional £14k allocations proposed in 2021/22, 2023/24 and 2025/26, with £16k requested in 2028/29.
ECP22	IT	Service Director - Customers	Dell Servers	210	-	65	0	0	0	70	75	0	In 2015/16 the authority upgraded the Server Estate with 10 Physical high level Dell Servers which have 179 virtual servers running within them. The hardware has a 5 year shelf life before being unsupported. UPDATE CBP 2020/21: Allocation for replacement hardware in 2024/25 and 2028/29.
ECP23	IT	Service Director - Customers	New Blade Enclosure	124	-	32	0	0	0	40	52	0	The Blades are an integral part of the Servers and go hand in hand. These formed part of the hardware refresh programme in 2015/16 and have a shelf life of 5 years. UPDATE CBP 2020/21: Allocation for replacement hardware in 2024/25 and 2028/29.

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				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP24	IT	Service Director - Customers	Replacement SAN	345	-	110	0	0	0	115	120	0	The Storage Area Network (SAN) is used to compliment the data storage and backups across the infrastructure estate. These are a critical element of the data infrastructure network as they also move the data traffic around the servers. The authority replaced the current SAN in 2015/16 and the life of this hardware is 5 years. UPDATE CBP 2020/21: Allocation for replacement hardware in 2024/25 and 2028/29.
ECP25	IT	Service Director - Customers	Core Backbone Switch	75	-	0	0	0	0	35	40	0	Dual processor switch, which links the virtual servers to the SAN. UPDATE CBP 2020/21: Allocation for hardware renewal in 2024/25 and 2028/29.
ECP26	IT	Service Director - Customers	Additional Storage	83	-	25	0	13	0	0	45	0	As part of the day to day collection and storage of data within the Information@Works (I@W) which is the Corporate Document Management solution, the amount of data that is being scanned and captured via the Doc's on-line contract provided by Northgate is increasing by the day. There has been a huge push over the past year to work towards enabling every department to have access to I@W as this compliments Home Working. UPDATE CBP 2020/21: Allocation proposed in 2022/23, with £25k requested to be earmarked in 2025/26 and £20k in 2028/29
ECP14	IT	Service Director - Customers	Laptops - Refresh Programme	27	-	6	6	0	5	0	10	0	Over the past 3 years IT have reduced the laptop estate from 149 devices down to only having 48 still in use. The small budget provision is to ensure we have funds to replace these devices when Windows 7 becomes de-supported or they have reached their end of life as part of the refresh programme. UPDATE CBP 2020/21: Additional allocations proposed in 2021/22 and 2023/24 with £5k allocations requested in 2025/26 and 2027/28.
ECP21	IT	Service Director - Customers	Alternative to safeword tokens for staff/members working remotely	79	-	16	0	12	0	18	33	0	The technology has changed considerably since we first starting using the Safeword Tokens 7-8 years ago. With the changes in personal technology such as Smart/IOS Phones there are now products on the market that are PSN approved for getting Access Keys delivered for 2 Layer Authentication such as Texts or App's on Smart Phones etc. This enables Members, Staff and Support Agencies to gain access to the remote login site from anywhere with no need to have a physical hardware device to hand. UPDATE CBP 2020/21: Additional allocations proposed 2020/21, 2022/23, 2024/25 with £14k proposed in 26/27 and £19k in 2028/29
ECP17	IT	Service Director - Customers	Microsoft Enterprise Agreement	1,278	-	0	0	390	0	0	888	0	It is essential NHDC has the correct Microsoft Licences to ensure the Council does not fall foul of F.A.S.T (Fraud Against Software Threat) regulations. The current three year contract started from 1st April 2019. UPDATE CBP 2020/21: Earmarked capital allocation in 2022/23 reduced from £450k to £390k in line with ICT Strategy. Estimated £426k allocation required in 2025/26 and £462k allocation in 2028/29.
ECP11	IT	Service Director - Customers	Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	39	-	39	0	0	0	0	0	0	Replacement of the current Cygnia Web Filtering (Bloxx) Software Solution and Clearswift Email Secure Gateway Software Solution. This contract for the software licenses is due for renewal in July 2020.
ECP12	IT	Service Director - Customers	Email Encryption Software Solution	45	-	45	0	0	0	0	0	0	Replacement of the Egress Email Encryption Software Solution, which was on a 3 year contract. North Herts have been using the Egress Email Encryption solution to ensure any Data above the protective marker of restricted is encrypted before leaving the Email Exchange Solution. The current three year software contract expires on the 31 March 2020.
Sub-Total: IT				3,381	-	475	80	505	154	421	1,746	-	
TOTAL				41,413	4,241	9,358	5,405	6,334	5,099	6,686	8,531	-5	

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CAPITAL INVESTMENT PROPOSALS

Ref No	Service	Responsible Service Director	Description of Proposal	Total Project Investment 2020/21 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2020/21	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment 2025 - 2030	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
				£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
TOTAL CONSISTS OF:													
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:				8,468	1,041	3,562	695	1,621	259	427	1,904	0	
NEW PROPOSALS IN THE 2020/21 PROCESS				32,945	3,200	5,796	4,710	4,713	4,840	6,259	6,627	-5	

These totals exclude those capital projects planned to complete in 2019/20.

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