

NORTH HERTFORDSHIRE DISTRICT COUNCIL



22 November 2019

Our Ref Finance, Audit and Risk
Committee
Your Ref.
Contact. Committee Services
Direct Dial. (01462) 474655
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To: Members of the Committee: Councillors Kate Aspinwall, Sam North, Steve Deakin-Davies, Morgan Derbyshire, Steve Jarvis, Kay Tart and Michael Weeks

Substitutes: Councillors Sam Collins, George Davies, Ian Moody and Adem Ruggiero-Cakir

You are invited to attend a

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

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

On

THURSDAY, 5TH DECEMBER, 2019 AT 7.30 PM

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

Yours sincerely

Jeanette Thompson
Service Director – Legal and Community

Agenda **Part I**

Item	Page
1. APOLOGIES FOR ABSENCE	
2. MINUTES - 16 SEPTEMBER 2019 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 16 September 2019.	(Pages 5 - 10)
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. NHDC PROGRESS REPORT - SHARED ANTI-FRAUD PLAN 2019/20 REPORT OF THE SHARED ANTI-FRAUD SERVICE To receive an Update Report.	(Pages 11 - 18)
7. NHDC ANNUAL AUDIT LETTER - 2018/19 REPORT OF ERNST AND YOUNG To consider the Annual Audit Letter for NHDC 2018/19.	(Pages 19 - 38)
8. SIAS INTERNAL AUDIT PROGRESS REPORT REPORT OF THE CLIENT AUDIT MANAGER – SHARED INTERNAL AUDIT SERVICE To receive SIAS Update on Progress against the 2019/2020 Audit Plan.	(Pages 39 - 56)

9. **PROPOSED AMENDMENTS TO THE CONTRACT PROCUREMENT RULE** (Pages
REPORT OF THE LEGAL AND COMMERCIAL TEAM MANAGER 57 - 98)
- To consider the proposed amendments to the Contract Procurement Rule.
10. **DRAFT BUDGET 2020/21** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 99 - 136)
- To receive the Draft Budget for 2020/21.
11. **SECOND QUARTER REVENUE MONITORING 2019/20** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 137 -
148)
- To consider the Second Quarter Revenue Monitoring report 2019/20.
12. **INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR** (Pages
REVIEW 2019/20 149 -
REPORT OF THE SERVICE DIRECTOR – RESOURCES 178)
- To update on progress with delivering the Capital and Treasury Strategy for 2019/20, as at the end of September 2019.
13. **RISK AND OPPORTUNITIES MANAGEMENT UPDATE** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 179 -
186)
- To receive a quarterly update on Risk and Opportunities Management.
14. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERON ROAD,
LETCHWORTH GARDEN CITY ON MONDAY, 16TH SEPTEMBER, 2019 AT 7.30 PM

MINUTES

Present: *Councillors Kate Aspinwall (Chair), Councillor Sam North (Vice-Chairman), Morgan Derbyshire and Michael Weeks*

In Attendance: *The Shared Internal Audit Services Manager, Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Amelia McInally (Committee, Member and Scrutiny Officer) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

29 APOLOGIES FOR ABSENCE

Audio Recording – 14 Seconds

Apologies for absence were received from Councillors Steve Deakin-Davies, Morgan Derbyshire, Kay Tart and Steve Jarvis.

Having given due notice Councillor George Davies advised that he would be substituting for Councillor Morgan Derbyshire.

30 MINUTES - 29 JULY 2019

Audio Recording – 1 Minute 3 Seconds

RESOLVED: That the Minutes of the Meeting of the Committee held on 29 July 2019 be approved as a true record of the proceedings and be signed by the Chairman.

31 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 1 Minute 22 Seconds

There was no other business notified.

32 CHAIRMAN'S ANNOUNCEMENTS

Audio Recording – 1 Minute 24 Seconds

- (1) The Chairman welcomed those present at the meeting, especially those who had attended to give a presentation;
- (2) The Chairman advised that, in accordance with Council Policy, the meeting would be audio recorded; and
- (3) The Chairman drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

33 PUBLIC PARTICIPATION

Audio Recording – 2 Minutes 21 Seconds

There was no public participation.

34 SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2018/19

Audio Recording – 2 Minutes 24 Seconds

The Shared Internal Audit Services (SIAS) Manager presented the Shared Internal Audit Service Annual Report for 2018/19. He drew the Members attention to the key headline within the report pack which highlighted that the Service had achieved its overall target delivering 95% of its audit reviews.

The SIAS Manager further updated and advised Members of the following:

- The ways in which SIAS had developed;
- The result of customer satisfaction for 2018/19;
- The performance outcomes;
- Future developments for 2019/20 and;
- SIAS' financial performance.

RESOLVED:

That the Shared Internal Audit Service Annual Report 2018/19 be considered and noted.

REASON FOR DECISION:

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

35 SHARED INTERNAL AUDIT SERVICES PROGRESS REPORT

Audio Recording - 4 Minutes 24 Seconds

The Shared Internal Audit Services (SIAS) Manager presented the report entitled Shared Internal Audit Services Progress Report. He requested that Members note the following recommendations:

- The Internal Audit Progress Report for the period to 30 August 2019;
- The proposed amendments to the 2019/20 Annual Audit Plan; and
- The implementation status of high priority recommendations.

The SIAS Manager informed Members that there were two high priority recommendations, one of which was in the Joint Waste Contract which related to the prioritisation and implementation of the performance management regime. The second high priority recommendation was in relation to the Time Recording System Audit and the management oversight of the use and completion of time records.

He assured Members that an update on the progress of Time Recording would be provided at the next Finance, Audit and Risk Committee in December 2019.

The SIAS Manager confirmed that there were no planned changes to the 2019/20 Annual Audit Plan.

The SIAS Manager further updated as follows:

- The Workforce Planning and Developing Project was currently behind schedule, however, he assured Members that work had finished on that project and the auditors were writing the file ready to be quality reviewed.
- The GDPR Audit had been completed.

The following Members asked questions and took part in discussion:

- Councillor Michael Weeks
- Councillor Sam North
- Councillor Kate Aspinwall

The SIAS Manager responded to comments and questions as they arose.

RESOLVED:

- (1) That the Shared Internal Audit Services Progress Report for the period to 30 August 2019 be noted;
- (2) That the proposed amendments to the 2019/20 Annual Audit Plan be noted; and
- (3) That the implementation status of High Priority recommendations be noted.

REASON FOR DECISION:

To allow the Committee to consider the Shared Internal Audit Service Progress Report 2019/20.

36 ANNUAL GOVERNANCE STATEMENT 2018/19: UPDATED ACTION PLAN FOR 2019/20

Audio Recording – 15 Minutes, 9 Seconds

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2018/19: Updated Action Plan for 2019/20. The following appendix accompanied the report:

- Appendix A – Action Plan Update

The following Members asked questions and sought clarification regarding the report:

- Councillor Michael Weeks
- Councillor Sam North
- Councillor Kate Aspinwall

Councillor Sam North expressed his appreciation and offered his thanks to the Officers who had led the training and implementation of New Member Protocol stating it had been successful and had given him and other Members an insight into North Hertfordshire District Council.

The Policy and Community Engagement Manager responded to questions and comments as they arose.

RESOLVED:

That the progress made against the individual actions as outlined in the Action Plan for 2019/20 at Appendix A be noted.

REASON FOR DECISION:

The Annual Governance Statement must be considered by Members of the Committee and approved under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234, before the Statement of Accounts.

37 FRAUD POLICY REVIEW

Audio Recording – 22 Minutes 35 Seconds

The Service Director – Resources presented the report entitled Fraud Prevention Policy.

The following appendices accompanied the report:

Appendix A – Fraud Prevention Policy

The policy itself has two toolkits and two appendices:

- Appendix A – Disclosure Report to the Money Laundering Reporting Officer
- Appendix B – Role of the Money Laundering Reporting Officer (MLRO)

The Service Director – Resources explained to the Committee that the Fraud Prevention Policy, attached at appendix A, replaced the existing policies and guidance that covered fraud, corruption, money laundering and bribery and also served to cover additional requirements in relation to tax evasion. The Service Director – Resources stated that the fundamental content of the new policy had not been changed, but sought to simplify.

The Service Director – Resources informed the Committee that unrequired references to legislation had been removed, it would be the responsibility of the policy author to ensure that the policy was updated if legalisation changed.

The following Members took part in the discussion and asked questions:

- Councillor Sam North
- Councillor Michael Weeks
- Councillor Kate Aspinwall

In response to questions raised by Members, the Service Director – Resources provided the following information:

- The £3,000 was the limit set on cash payments made to the Council;
- Fraud and bribery E-learning was mandatory for staff;
- There was currently no reason for the Council to accept foreign currency payments, however, if the Council were to ever accept foreign current transactions, the policy would be amended accordingly.

Councillor Kate Aspinwall stated that the Policy used plain English and was easy to understand, she expressed her compliments and gratitude to the Policy Author.

It was recommended by Councillor Sam North that the first sentence in paragraph 5 within point 2, entitled Reporting on Page 63 of the report, that the words, 'that are reported' be removed from the sentence 'the Council will investigate all suspicions that are reported'.

RESOLVED:

- (1) That the words 'that are reported' be removed from the first sentence of paragraph 5 within point 2, entitled Reporting on Page 63 of the Fraud Prevention Policy and would now read "The Council will investigate all suspicions, and where deemed appropriate the matter raised may be....."; and
- (2) That The Fraud Prevention Policy be approved.

REASON FOR DECISION:

The new policy provides all of the information in relation to fraud and similar offences.

38 RISK AND OPPORTUNITIES MANAGEMENT UPDATE SEPTEMBER 2019

Audio Recording – 32 Minutes 44 Seconds

The Service Director - Resources presented the report entitled Risk and Opportunities Management Update and advised that two risks had been reviewed:

- Brexit risk
- Managing the Council's finances

The Service Director- Resources informed Members that both risks had retained their risk score of 9 and the updates were attached to the report.

The Service Director – Resources highlighted paragraph 8.2.1 on page 81 of the report. He informed the Committee that the Climate Change risk had been updated and the risk score had been increased from 1 to 5. He further advised that owing to the wide range of risks associated with Climate Change, that this should be reviewed again in response to the forthcoming climate change policy, which would allow for better consideration as to what the risk score should be and whether it was a Corporate or Service risk.

The following member raised questions:

- Councillor Kate Aspinwall

In response, the Service Director- Resources reassured the Members that in relation to the Climate Change risk, the Council was not creating a policy to respond to a specific risk.

Councillor Sam North stated that he felt, since the joint administration, the Council were taking the Climate Change Emergency seriously which was very reassuring.

RESOLVED:

That the review/changes to the Corporate risks for the quarter, namely:

- Brexit risk to retain its current risk score of 9.
- Managing the Councils Finances to retain its current risk score of 9, be noted.

39 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 39 Minutes 40 Seconds

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise herself, officers or the Committee Clerk.

Monday, 16th September, 2019

The Chair informed Members that the next meeting of the Finance, Risk and Audit Committee would be held on 5 December 2019, where it was hoped that fraud training would take place prior to the meeting.

Councillor Michael Weeks formally requested that his sentiment of disappointment in the lack of attendance by Members at that evening's meeting and requested that the Members present reported back to their party leaders, be recorded in the minutes.

The meeting closed at 8.10 pm

Chairman



North Hertfordshire District Council

Progress with delivery of the 2019/20 Anti-Fraud Plan

Recommendation

Members are recommended to:

Note the work of the Council and the Shared Anti-Fraud Service in delivering the **2019/20 Anti-Fraud Plan**

Contents

Introduction

1. Background
2. Summary of SAFS anti-fraud activity at NHDC- Quarters 1&2 combined

Appendix

- A. NHDC/SAFS Anti-Fraud Plan 2019/20
- B. Delivery of Plan and KPIs to date

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's 2019/20 Anti-Fraud plan. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finding ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
- CIPFA's *Fraud and Corruption Tracker 2018* indicates that identified fraud had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk of fraud.
- The Central Government's *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

- 1.1 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 1.2 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings.
- 1.3 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS, and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.

2. SAFS Activity 2019/20

Staffing & Resources

- 2.1 In March 2019 this Committee approved the 2019/20 Anti-Fraud Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See **Appendix A** for details of the Plan and **Appendix B** for progress with delivery and KPI Performance.
- 2.2 The SAFS Team (for 2019/20) is Composed of 18 accredited and trained counter fraud staff and is based at Hertfordshire County Councils offices in Stevenage.
- 2.3 Each SAFS Partner receives dedicated support and response. At present this is achieved by allocating officers to work exclusively for each Partner, but also allowing all officers within the Team to work with different Partners from time to time. Providing the Service in this way allows officers to develop good working relationships with Council staff, but also offers improved resilience and flexibility across the Partnership as a whole. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.
- 2.4 For 2019/20 SAFS deployed 1 member staff to work exclusively for the Council, and this officer is supported by the SAFS Intelligence Team, based at Stevenage, which includes expertise in open source intelligence, statutory data enquiries, data-analytics and financial investigations.

Fraud Awareness and Prevention

- 2.5 One of the key aims for the Council is to create an 'Anti-Fraud' culture that will deter fraud; encourage senior managers and Members to consider the risk of fraud when

developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on the Council and to report fraud where it is identified.

- 2.6 The Council has in place extensive and recently updated fraud prevention policies and procedures that are shared with staff and published on the Councils webpage.
- 2.7 The Council is taking part in this year International Fraud Awareness Week encouraging residents to protect themselves from fraud and report fraud that they suspect to the relevant authority including the Council. SAFS have worked with the communication teams in all Partners to develop a social media campaign with shared messages to be issued between 17th & 24th November.
- 2.8 The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertfordshire.gov.uk. These contact details are also available on the Councils own website and intranet. None of these functions replace the Council’s own Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or contact SAFS officers working at the Council offices.
- 2.9 Working with the Councils HR team SAFS have assisted with the delivery of an e-training package for staff to raise awareness of fraud as a risk. This training package is hosted on the Councils intranet. Training is planned January 2020 for key legal and finance managers on Anti-Money Laundering and training for staff using the services provided by the National Anti-Fraud Network will be provided in the fourth quarter.

Counter Fraud Activity & Reported Fraud

- 2.10 In the first two quarters of 2019/20 SAFS received a total of 43 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported- (43 Referrals)

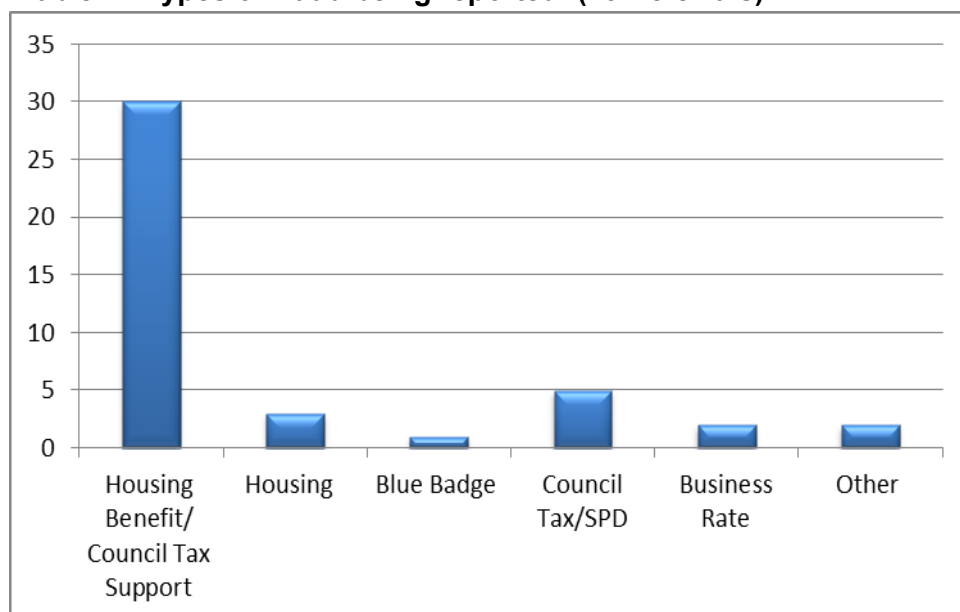
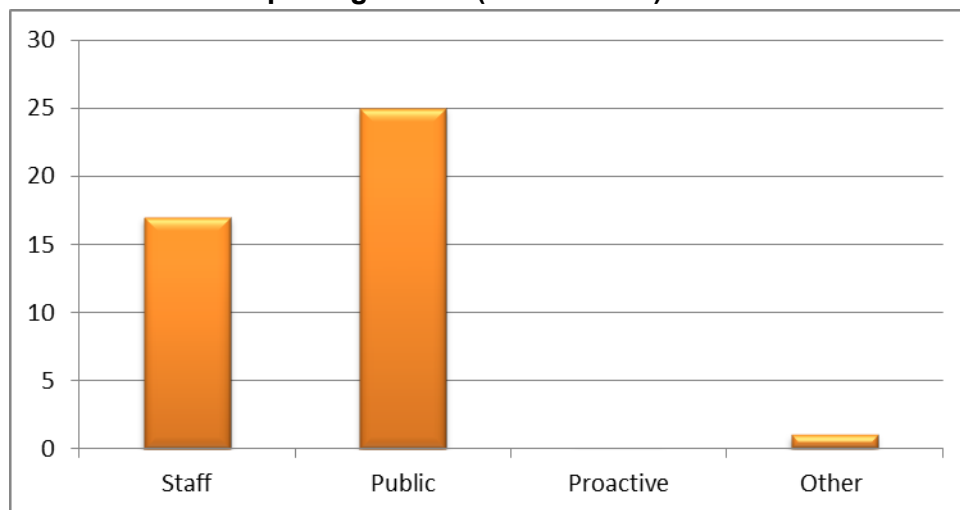


Table 2. Who is reporting Fraud- (43 Referrals)



2.11 There has been a reduction in reported fraud at NHDC when compared year on year and to other Partners within the Shared Anti-Fraud Partnership.

- In 2015/16 there were **136** reports, 2016/17 **104**, 2017/18 **169** and 2018/19 **134**.
- In 2019/20 other SAFS Partner (district councils) have reported 65, 74, 78, 116 matters to date.

We need to review the reasons for the drop in referrals, both at NHDC and in comparison to other SAFS Partners, to better understand the reasons for this and ensure that cases of suspected fraud are being reported correctly.

2.12 SAFS carried forward 42 live cases from 2018/19.

2.13 At the time of this report many cases raised for investigation are still in the early stages. However, of 53 investigated and closed in the year fraud losses of £39,000 and fraud savings of £13,000 have been recorded.

'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.

2.14 Of 52 live cases still under investigation the estimated fraud loss and savings combined exceed £229k.

2.15 The Council has applied financial penalties for council tax fraud on 13 occasions this year raising a further £5k in revenue for the Council and acting as an alternative to prosecution. Application of these penalties complies with the law and the Councils own policies and they are applied case by case with each decision being fully reviewed by officers from the Council and SAFS.

2.16 Two more serious cases of council tax fraud, which were linked to housing benefit fraud, have been dealt with through criminal prosecution. One of these cases is still

awaiting trial the second matter involved a £17k fraud with the subject receiving a suspended prison sentence.

Proactive and Prevention Activity

- 2.1 SAFS manage the framework contract for all councils in Hertfordshire to conduct bulk reviews of council tax discounts and exemptions, improving collection and preventing fraud. These services are provided with split in costs between Hertfordshire County Council, the Police and Crime Commissioner, and district and borough councils. The Councils Shared Revenue and Benefit Service will be making use of this Framework in 2019/20.
- 2.17 Parking Enforcement Officers continue to work closely with SAFS to investigate persistent abuse of Blue Badges in the Council's car parks. In May and June SAFS conducted a social/ press media campaign to raise awareness and act as a deterrent to blue badge fraud. The campaign resulted in a number of badges being returned as part of an amnesty and several cases of identified blue badge abuse have been reported for prosecution.
- 2.18 SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job Seekers Allowance or Universal Credit.
- 2.19 Council officers ensure Council's compliance with the National Fraud Initiative (NFI). The NFI is a nationwide anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.
- 2.20 1,302 potential matches were received as part of the 2018/19 NFI exercise, 202 of these were marked as high or medium priority. The high risk or 'recommended' matches have been prioritised for review by Council officers dependant on type and risk. At the end of October 1,040 matches, including the majority of high risk matters, had been reviewed and savings of £17k recorded.
- 2.21 The Council has recently joined the Hertfordshire FraudHub which operates using the same legal framework as the main NFI but permits data to be matched more frequently helping to prevent fraud or detecting it sooner. Council and SAFS officers are currently working on the first upload of data and the output from this. We will keep Members informed with the progress of with this new project.

Appendices

- A.** SAFS/NHDC Anti-Fraud Plan 2019/20



Anti-Fraud Plan
2019 2020

- B.** Performance against Plan to 30/10/2019.



Performance and KPI

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North Hertfordshire District Council

Annual Audit Letter for the year
ended 31 March 2019

11 September 2019

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Building a better
working world

Agenda Item 7

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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to North Hertfordshire District Council (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's:	Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended. We issued our auditor's report on 30 July.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary (cont'd)

In addition we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report on 29 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We issued the certificate within the auditor's report on 30 July 2019.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

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Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 29 July 2019 Finance, Audit and Risk Committee representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented at the January 2019 Finance, Audit and Risk Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2018/19 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.

▶ Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 30 July 2019. We reported detailed findings to the 29 July 2019 Finance, Audit and Risk Committee.

We summarise here the key risks we identified and our conclusions.

Other Areas of Audit Focus	Conclusion
<p>Valuation of Other Land and Buildings and Investment Properties</p> <p>The fair value of non-DRC Property, Plant and Equipment (PPE) (£103 million) and Investment Properties (IP) (£18.8 million) represent significant balances in the Authority's accounts.</p>	<p>Our audit procedures above did not identify any material differences in the financial statements.</p>
<p>Pension Liability Valuation</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £50.4 million.</p>	<p>The Authority updated its accounts to reflect the impact of national issues impacting all local authority pension schemes as well as to reflect changes in the value of investments. We were satisfied that the changes were correctly reflected in the Authority's final statement of accounts.</p>
<p>New accounting standards</p> <p>The Authority had to implement two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:</p> <ul style="list-style-type: none"> ▶ IFRS 9 - Financial instruments ▶ IFRS 15 - Revenue from contracts ▶ IFRS 16 - Leases (2020/21). 	<p>FRS 9 - Financial Instruments: Our audit procedures for financial instruments did not identify any audit issues.</p> <p>IFRS 15 - Revenue from Contracts: Our audit procedures for revenue from contracts did not identify any audit issues.</p> <p>IFRS 16 - Leases: The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.356 million (audit plan – £1.4 million) which is 2% of gross revenue expenditure reported in the accounts. This results in a performance materiality, at 75% of overall materiality, £1.017 (2017/18: £1 million).</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p>
Reporting threshold	<p>We agreed with the Finance, Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.064 million (2017/18: £0.070 million).</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

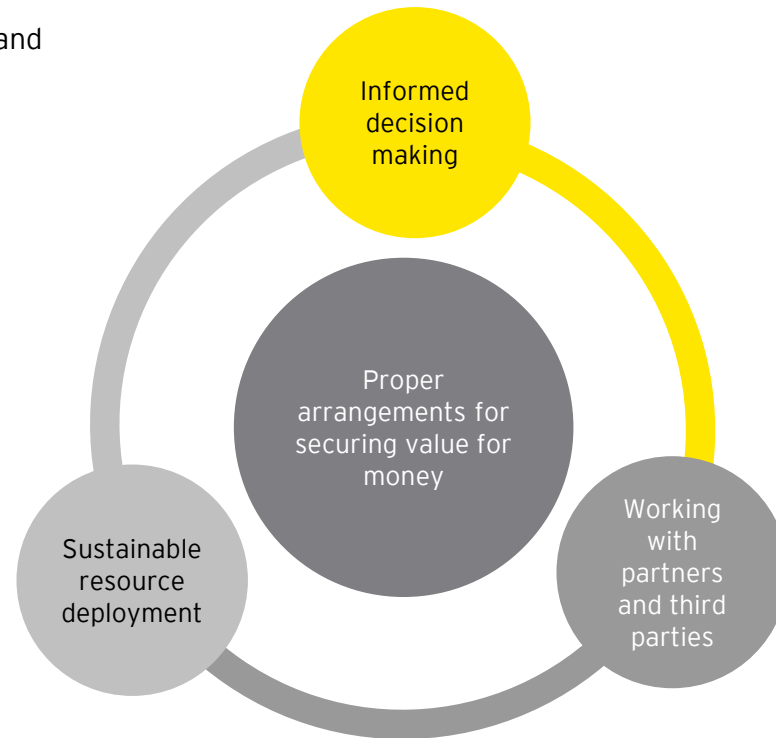


04 Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



In our Audit Plan we identified the Churchgate regeneration and the arrangements to make informed decisions as a significant risk. However, in light of the Authority's decision not to continue with the transaction by the 31 March 2019 we determined that this no longer represented a significant risk. We have not identified any new significant risks around these arrangements.

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We had no matters to report in respect of value for money in the auditor's report.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

The Authority falls below the NAO's threshold for auditor review.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Finance, Audit and Risk Committee on 29 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls. We have not identified any significant control deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

Audit Fees

Audit Fees

In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2018/19	Final Fee 2017/18
	£	£
Code work - scale fee	40,068	52,037
Total audit	40,068	52,037
Other non-audit services not covered above (Housing Benefits)	9,140	6,772
Total other non-audit services	9,140	6,772
Total fees	49,208	58,809

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All fees exclude VAT

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ED None

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North Herts District Council Audit Committee Progress Report

5 December 2019

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 15 November 2019,
- Note the proposed amendments to the 2019/20 Annual Audit Plan, and
- Note the implementation status of high priority recommendations.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 High Priority Recommendations
 - 2.8 Proposed Amendments to the 2019/20 Annual Audit Plan
 - 2.11 Performance Management

Appendices

- A Progress against the 2019/20 Audit Plan

- B Implementation Status of High Priority Recommendations

- C 2019/20 Audit Plan Start Dates Agreed with Management

- D Assurance and Finding Definitions 2019/20

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2019/20 as at 15 November 2019.
 - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
 - c) Proposed amendments to the 2019/20 Annual Audit report
 - d) An update on performance management information as at 15 November 2019.

Background

- 1.2 The 2019/20 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2019.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the third report giving feedback on the delivery of the 2019/20 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 15 November 2019, 49% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2019/20 final reports have been issued since 30 August 2019 (cut-off date for the SIAS Update Report for 16 September 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
General Data Protection Regulations	October 2019	Satisfactory	2 Medium, 2 Low
Integra2	November 2019	Good	None.
Equality and Diversity	November 2019	Good	2 Low

2.3 Details on the status of all audits in this year's plan can be found in Appendix A.

High Priority Recommendations

2.4 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.5 There are no high priority recommendations arising from the work undertaken in the audits detailed in paragraph 2.2 above. There are three high priority recommendations that remain in progress, one relating to Corporate Debt Management, one relating to Museum Services and one relating to the Time Recording System.

2.6 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not implemented.

2.7 Following the last Committee, we have removed the two implemented high priority recommendations relating to the Joint Waste Contract and Corporate Debt Management.

Proposed Amendments

2.8 At the request of management, the following changes have been made to the 2019/20 Annual Audit Plan in the period since the last FAR Committee:

- Parking Strategy and Enforcement (15 days) – this audit has been **cancelled** at the request of management.
- Data Quality of Performance Information (15 days) – this audit has been **cancelled** to accommodate a newly requested audit.
- Workman's Hall (1 day) – this audit has been **added** to the audit plan at the request of management. Workman's Hall charity account has now exceeded the threshold whereby an independent audit is required.
- Insurance (10 days) – this audit was **added** from the reserve list to replace (in part) the cancelled Parking Strategy and Enforcement audit.
- Development Management (10 days) – this audit was **added** from the reserve list to replace (in part) the cancelled Parking Strategy and Enforcement audit.

- Careline Stock (10 days) – this audit was **added** at the request of management and replaces the Data Quality of Performance Information audit.

2.9 As a result of the above changes, contingency in the 2019/20 Annual Audit Plan for the Council stands at 6 days.

2.10 There have been some locally agreed changes to proposed start dates, details of these can be found in Appendix C.

Performance Management

Reporting of Audit Plan Delivery Progress

2.11 To help the Committee assess the current situation in terms of progress against the projects in the audit plan, we have provided a timetable that shows the overall progress at Appendix C. The table below shows that summary of performance based on the latest performance information reported at Appendix A.

Summary – 30 August 2019			
Status	No of Audits at this Stage	% of Total Audits (27)	Profile to date
Draft / Final Report Issued	9	33%	(9/27)
In Fieldwork / Quality Review	2	7%	(7/27)
Terms of Reference Issued / In Planning	5	19%	(0/27)
Yet to be planned	11	41%	(11/27)

Deferred	0
Cancelled	2

2.12 In order to provide greater transparency and clarity on performance to date, it is important for the Committee to note that Annual Audit Plan in 2019/20 has become significantly back loaded in quarter four, with 44% of audit work planned to be delivered in this quarter.

2.13 There are several reasons for the backloading of the Annual Audit Plan, including:

- Management requests to postpone the start of an audit (Members Expenses Benchmarking),
- New audits being added to the Annual Audit Plan (four new projects)
- Internal matters that have caused:
 - Revenues to be moved to January 2020;
 - Data Quality of Performance Information to be cancelled and replaced with a new audit (Careline Stock).

- 2.14 Taking the above into consideration, Members should note that we are on profile for draft report delivery, despite the percentage appearing low for this stage of the year. The Committee should note that all quarter four audits have been allocated and that initial planning and agreement of timings with management is underway.
- 2.15 In terms of profile, at this stage of the year, we would have expected to have completed all quarter one and two projects (currently one project, Temporary Accommodation, remains outstanding), that all projects scheduled for October would be in fieldwork and November projects would be either in planning or terms of reference issued.
- 2.16 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.17 As at 15 November 2019, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 15 November 2019	Actual to 15 November 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	60% (201 / 334 days)	50% (166 / 334 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	33% (9 / 27 projects)	33% (9 / 27 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (4/4 returned)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100%

2.18 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2019/20 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 15 NOVEMBER 2019

2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Key Financial Systems									
Integra 2 – General Ledger, Debtors and Creditors	Good	0	0	0	0	14	Yes	14	Final Report Issued
Treasury Management						8	Yes	4.5	In Fieldwork
Expenses						10	Yes	0	Allocated
Budgetary Control						10	Yes	0	Allocated
Revenues						15	Yes	0	Allocated
Benefits						10	Yes	1.5	ToR Issued
Corporate Audits									
Data Quality of Performance Information						0	Yes	0	Cancelled
Workforce Planning and Development						20	Yes	19.5	Draft Report Issued
Corporate Resilience						15	Yes	14.5	Draft Report Issued
Corporate Change Management						15	Yes	0	Allocated
Operational Audits									
Trade Waste						15	Yes	0	Allocated
Temporary Accommodation						12	Yes	2.5	In Planning
Time Recording System	Limited	0	1	1	1	12	Yes	12	Final Report Issued
Members Expenses Benchmarking						8	Yes	1	In Planning
Parking Strategy and						0	Yes	0	Cancelled

2019/20

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 15 NOVEMBER 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Enforcement									
Transparency Code	Satisfactory	0	0	0	0	12	Yes	12	Final Report Issued
Equality and Diversity	Good	0	0	0	2	10	Yes	10	Final Report Issued
Herts Home Improvement Agency						2	Yes	0	Allocated
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
King George V Playing Fields						1	Yes	0	Allocated
Workman's Hall						1	Yes	0	Allocated
Development Management						10	Yes	0	Allocated
Insurance						10	Yes	0	Allocated
Careline Stock						10	Yes	0	Allocated
Procurement / Contracts									
Financial Resilience of Suppliers						15	Yes	1.5	In Planning
IT Audits									
General Data Protection Regulations	Satisfactory	0	0	2	2	10	Yes	10	Final Report Issued
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	2	In Planning
Anti-Fraud									
SAFS Review						2	Yes	2	Quality Review
Shared Learning and Joint Reviews									
Joint Reviews						2	Yes	0	Allocated
Shared Learning						3	Yes	2.5	Through Year

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 15 NOVEMBER 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency & Ad Hoc Activity									
Contingency & Ad Hoc Activity						6	Yes	0	As Required
Strategic Support									
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	6	Through Year
Client Meetings						8	Yes	6	Through Year
Liaison with External Audit						1	Yes	0	Through Year
Progress Monitoring						10	Yes	7.5	Through Year
SIAS Development						5	Yes	5	Through Year
2020/21 Audit Planning						6	Yes	0	Through Year
2018/19 Projects requiring completion									
Finalisation of Projects						11	Yes	11	Complete
Total - North Herts D.C.		0	1	7	6	340		166	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
1.	Corporate Debt Management (March 2018)	<p>We recommend that the Council undertakes training with all officers responsible for debt management and recovery. Within this training and in lieu of a corporate policy, clear procedures should be outlined and documented to provide clear direction and consistent approach to debt management and recovery in all directorates.</p> <p>The training and procedures should set out the entire standard corporate debt recovery process, from start to finish, in writing and through illustration (via a summary flowchart), so that the automated and manual intervention stages, actions and timings are all clearly defined.</p> <p>The roles,</p>	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	<p>June 2019 - Not applicable.</p> <p>September 2019 - A survey on the format of the aged debt report, which seeks the views of budget holders, has just commenced. Once a revised report has been set up taking into consideration both the audit recommendations and views of managers, officers will set up some training with managers on what the report is telling them and what action they need to take.</p> <p>November 2019 - First quarterly report taken to SMT on 5 November 2019, highlighting current issues. Subsequent meetings held with Estates and Licensing to identify action to be taken. Familiarisation sessions to be held in December 2019 to go through format of the aged debt report and explain role to users.</p> <p>Revised Target Date: 31 December 2019</p>	In Progress

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>responsibilities and delegations of corporate finance, corporate recovery and services in regard to monitoring, pursuing and writing off overdue sales invoices should be fully explained to all officers and accurately reflect the Financial Regulations.</p> <p>The Council should initially focus on getting the basic debt recovery steps implemented in practice. Once this is in place, the Council should review the impact on overall debt levels and assess the capacity and resources available to pursue debts robustly.</p>					

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
2.	Museum Services (February 2019)	<p>We recommend that the Council implements a plan to address the future storage that it will face.</p> <p>There are several options to consider:</p> <p>a) Invest in a new storage facility that is larger and has greater capacity to house an expanding range of artefacts;</p> <p>b) Purchase additional space to handle the overflow from the current storage facility; or</p> <p>c) Invest resources to undertake rationalisation of the current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit</p>	<p>The Council is aware that the long term storage requirements need to be investigated and will undertake an options appraisal to identify the best approach to try and resolve this.</p>	<p>Service Director (Commercial)</p>	<p>30 April 2020</p>	<p>June 2019 - Not applicable</p> <p>September 2019 – the service will undertake and complete the options appraisal during 2019/20, ideally prior to the commencement of the 2020/21 corporate business planning cycle. This will enable any relevant proposals to be included in the capital investment proposals for the new year.</p> <p>November 2019 - Following a comprehensive review of the audit outcomes, a Capital investment proposal for a new storage facility at Bury Mead has been put forward, as part of the 2020/21 Corporate Business Planning Process. This proposal will be subject to approval, with the 2020/21 budget due to be considered by Cabinet in January 2020 and Council in February 2020.</p>	<p>In Progress</p>

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		analysis should be completed to support the management decision.					
3.	Time Recording System (September 2019)	<p>We recommend that the MSU to send details of timesheets having to be unlocked, to the Line Managers to provide an overview of the timeliness of timesheet completion.</p> <p>Management should be reminded of their responsibilities, as highlighted in recommendation 1, relating to monitoring and oversight of officers' time records. Consideration should be given to the production of exception reports that detail incomplete time records at the end of the period and these should be shared with management.</p>	<p>Management Support Unit (MSU) Manager to arrange for confirmation that the request has been received to unlock will be sent to individual's line managers, with the reason for the unlock request.</p> <p>IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.</p>	Service Director (Customers)	31 December 2019	<p>September 2019 – not applicable</p> <p>November 2019 – The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT has confirmed that these can be amended and produced. There is an ongoing review of the flexi-scheme at the moment, which has in part come about because of the audit report and a review of whether the existing scheme is now fit for purpose considering the substantial changes in working practices</p>	In Progress

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.</p>				<p>over the last few years. The Service Director – Customers is not proposing to ask for the changes to reports to be implemented until that review has been completed and any revised scheme adopted. This will avoid wasting resources to change reports now and then having to do it again in a few months' time, bearing in mind that it is proposed to bring in any new scheme for 1 April 2020.</p> <p>Revised Target Date: 31 March 2020</p>	

APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT





April	May	June	July	August	September
Time Recording System Final Report Issued	Workforce Planning and Development Draft Report Issued		Corporate Resilience Draft Report Issued	General Data Protection Regulations Final Report Issued	Temporary Accommodation In Planning
Review of FAR Final Report Issued	Cyber Security Final Report Issued		Equality and Diversity Final Report Issued	Data Quality of Performance Information Cancelled	
2018/19 Carry Forward Projects	Transparency Code Final Report Issued				
October	November	December	January	February	March
Integra 2 Final Report Issued	Budgetary Control		Corporate Change Management	Parking Strategy and Enforcement Cancelled	
Treasury Management In Fieldwork	Benefits ToR Issued		Trade Waste	Insurance	
Expenses	Systems Access (Passwords) In Planning		Financial Resilience of Suppliers In Planning	Development Management	
SAFS Review (moved from July) Quality Review			King George V Playing Fields	Careline Stock	

APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

			Revenues (moved from November)		
			Members Expenses Benchmarking (moved from September) In Planning		
			Workman's Hall		
			Herts Home Improvement Agency Follow Up		

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2019/20

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level		Definition
Corporate	Critical	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

**FINANCE, AUDIT AND RISK COMMITTEE
5 DECEMBER 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: UPDATED CONTRACT PROCUREMENT RULES FOR 2019/20

REPORT OF THE LEGAL COMMERCIAL TEAM MANAGER

EXECUTIVE MEMBER: MARTIN STEARS-HANDSCOMB

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 This report sets out the proposed changes to the Contract Procurement Rules for review and referral that, in summary, seeks to make the following changes:

- An update to section 2.4 to streamline the reporting process for non compliance with the Rules;
- A new section 3.10 which requires commissioning officers to consider how the principles of locality and environmental protection can be incorporated in procurements.
- An update to Table A on page 238 to emphasise the requirement to discuss the principles of locality and environmental protection for each procurement;
- A further update to Table A to require mandatory CreditSafe alerts for all OJEU procurements;
- A new section 17.2 to provide guidance on dealing with supplier viability and financial risk;
- An update to section 29 to give Service Directors authority to extend contracts by up to 24 months to a maximum value of £200,000;

2. RECOMMENDATIONS

2.1 That Committee considers the proposed changes and recommends their adoption to Full Council.

3. REASONS FOR RECOMMENDATIONS

3.1 That the Contract Procurement Rules are part of the Constitution (under Section 20) and are revised and updated periodically as part of the Council's governance and procurement review processes, contributing to effective organisational internal control. In addition, the review and adoption of the Council's Contract Procurement Rules is a key action in the Council's Procurement Strategy.

- 3.2 To reflect the Council's new focus on the principles of locality and environmental protection.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The option of not updating the Contract Procurement Rules would prevent the Council from making improvements to the Rules and incorporating changes that reflect new priorities for the Council. Not updating the Rules also increases the risk of the Council not adhering to the latest procurement legislation and best practise and inconsistencies with the remainder of the Constitution. The Contract Procurement Rules are, in any event, reviewed annually.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 This report and appendices are being presented to FAR Committee for consideration, prior to referral to Council.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Contract Procurement Rules are reviewed on an annual basis to ensure they remain relevant and appropriate to the Council's needs. This review has been conducted by the Contracts & Procurement Group, led by the Legal Commercial Team Manager, Procurement Officer and Service Director - Legal and Community. The Service Director – Resources has reviewed and agreed the proposed changes.
- 7.2 Full Council approved the current version of the Contract Procurement Rules on 17th January 2019.¹

8. RELEVANT CONSIDERATIONS

- 8.1. The revised Contract Procurement Rules are provided at Appendix A, with all proposed changes shown as tracked changes. A summary of key changes within this new version are outlined below. There are also very minor changes to the Rules such as references to “legal and community” changing to “legal”

Compliance with the Rules:

- 8.2. The current version of the Rules requires non compliance to be reported to the Monitoring Officer and the Senior Management Team. In order to streamline this process, it is proposed that non compliance is reported to the Monitoring Officer and the Monitoring Officer may consult with the Service Director: Resources if appropriate. Given that non compliance may lead to disciplinary action, reporting only to statutory officers would maintain confidentiality.

Principles of Locality:

- 8.3. The proposed new section 3.10 reflects the Council's new focus on community engagement and environmental protection and also builds on the existing requirements

¹ <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=136&MId=2011&Ver=4>

to consider how the Council can promote social value in procurements. The ambition is to boost and coordinate local spending for the benefit of the community.

Supplier viability and Financial risk

- 8.4. Table A on page 238 has been updated to require mandatory CreditSafe alerts to all procurements above OJEU thresholds. This will ensure the Council receives automatic email notification of any changes to a company's financial risk profile. Also, a new section 17.2 provides guidance on, and a process for, awarding contracts where financial and viability checks raise significant concerns regarding the financial health of a successful bidder. There is separate detailed guidance for Officers on how to carry out financial health assessments when evaluating bids for a contract, which includes use of CreditSafe reports. Financial assessment and evaluations are carried out by qualified finance staff.

Extension of contracts up to 24 months;

- 8.5. Currently, Service Directors are authorised to extend contracts by up to a period of 12 months up to a contract value of £100k. Consultation with Contracts Procurement Group found that this time frame was far too restrictive and short to facilitate a sufficient number of contract extensions. This report seeks an increase from 12 to 24 months, up to a contract value of £200k. The relevant Executive Member shall be authorised to extend contracts for a period over 24 months or over 200k as applicable with the approval of the Service Director: Resources following consultation with the Finance & IT Executive Member. In all cases, an extension must be the best value option. Further safeguards have been added to the rules, namely that Service Directors must ensure that all extensions comply with the law and consider whether any extension would have a detrimental impact on the Council's strategies and plans.

9. LEGAL IMPLICATIONS

- 9.1 Under section 10.1.5 (g) of the Finance Audit and Risk Committee's terms of reference it has remit "*to maintain an overview of the council's constitution in respect of Contract Procurement Rules consider any major changes and make recommendations to Council for approval*".
- 9.2 Full Council adopts and changes the Constitution and documents such as the Contract Procurement Rules that are part of the Constitution.
- 9.3 The Council must comply with the Public Contracts Regulations 2015 for all procurements above the EU thresholds. Below these thresholds, the procedures to adopt are largely for the authority to decide; the 2015 Regulations introduced some limited controls on procurements below threshold as well as authority for the Cabinet Office to introduce statutory guidance for below threshold procurements.
- 9.4 The overriding principles of transparency, non-discrimination, mutual recognition and equal treatment apply to all procurements, where there is evidence of cross-border interest, irrespective of their value. Having a robust set of Contract Procurement Rules should ensure compliance with these obligations and reduce the risk of successful legal challenge to a procurement exercise.
- 9.5 Section 135 of the Local Government Act 1972 confirms that Councils must make standing orders with respect to the making of contracts. Section 37 of the Local Government Act 2000 confirms that a Council's constitution must contain its standing orders.

10. FINANCIAL IMPLICATIONS

- 10.1 These are procedural matters that have no direct financial impact upon the Council's revenue or capital budgets.

11. RISK IMPLICATIONS

- 11.1 Adoption of the proposed amendments will contribute to the Council's internal control environment and the management of risk.
- 11.2 Although the proposed new section 17.2 may assist contract managers with decision-making in relation to considering financial risk and contractor viability, there will always be a degree of financial risk with any contract award. It must be noted that a contractor's financial health may deteriorate after contract award for a variety of reasons and no contractor will achieve a perfect financial credit score. There will be situations where there is a decision to take on risk around contractor viability e.g. because all tenderers had a similar risk, the contract price or quality differentials make the risk worth it or applying the 'go-local' policy. The risks involved were considered by Finance, Audit and Risk Committee in a report in September 2016 (see background papers).

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.
- 12.3 The Contract Procurement Rules in themselves do not generate equalities implications, however their application when considering specific procurements of goods and services, or works, must take full account of this legislation.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not, in themselves, constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied. However, the application of the Contract Procurement Rules must take full account of this requirement when procuring a public service contract within specified parameters as laid out in the Social Value Act. Social Value is one of several factors to be considered when purchasing goods and services, or entering into a works contract.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no implications, other than confirming that relevant managers will receive training on the updated procurement rules, and the Procurement Officer shall provide updates at relevant team meetings during 2020.

15. APPENDICES

15.1 Appendix A – Draft amended Contract Procurement Rules.

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17. BACKGROUND PAPERS

17.1 Ongoing Financial and Operational Viability of Contractors- report to Finance, Audit and Risk Committee, 22nd September 2016.

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PART B

SECTION 20

CONTRACT PROCUREMENT RULES

NORTH HERTFORDSHIRE DISTRICT COUNCIL CONTRACT PROCUREMENT RULES

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Part A Flowchart to show tendering options

New Contracts

Identify Requirements
Carry out Risk Assessment with Risk Manager
 Contact Legal who will support in
 Estimating Expenditure / Contract Value and selection of
 Appropriate Procurement Method [Table A](#)

Are you are appointing a consultant?
See Part H
 then continue

Is this a land transaction?
See Part I
 then continue

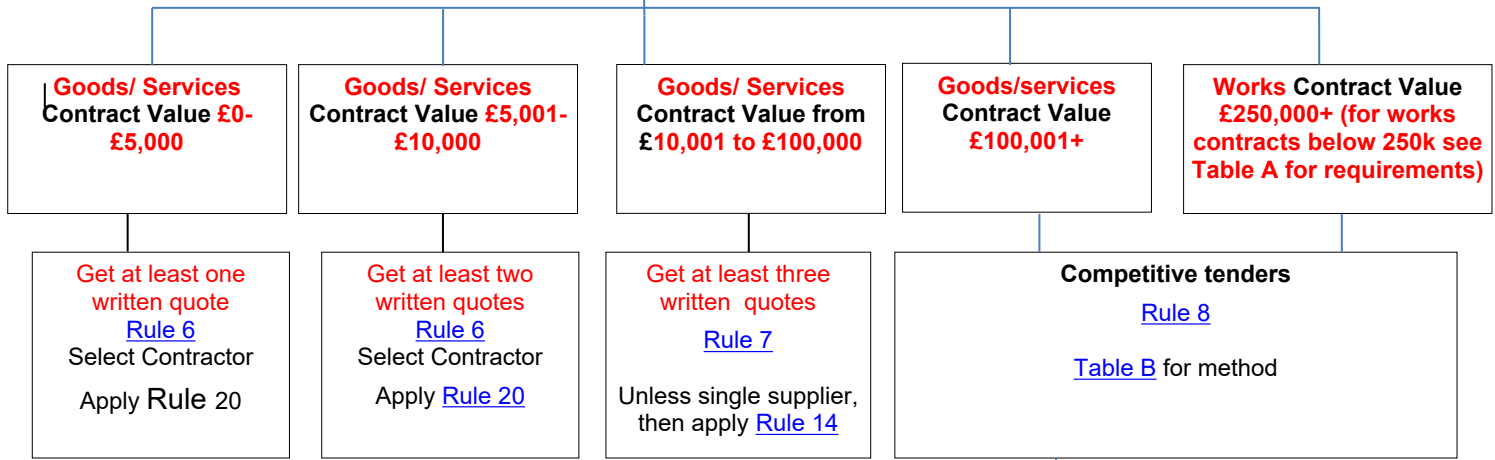
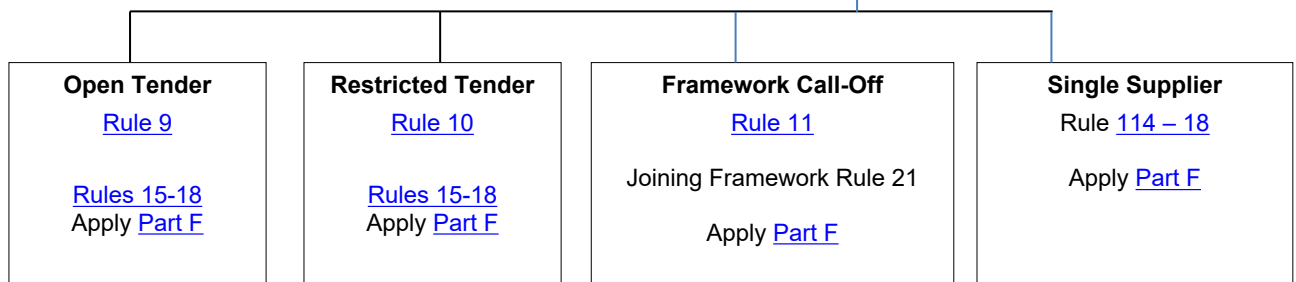
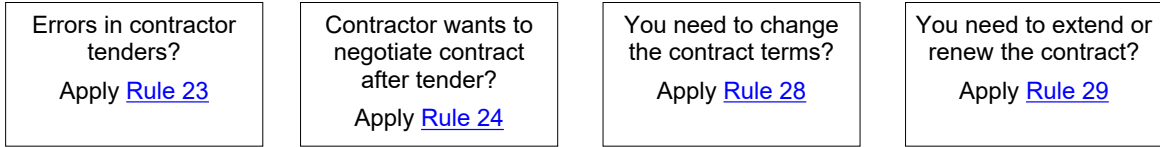


Table B Methods



Ongoing Contracts / Problems

Have you spoken to Legal?



Part B Background

2 Introduction

- 2.1 These Contract Procurement Rules (the **Rules**) provide a structure for the procurement of works, goods and services. Following them will ensure value for money, propriety and the proper expenditure of public funds. Officers must remember that their budgets are made up of public money and must ensure that they are spent correctly, fairly and transparently.
- 2.2 These Rules have been split into a number of Parts which you must comply with:
- (a) Part C Procurement Methods – relates to new procurements; and
 - (b) Part F Specific Rules of Contract – which details the terms and conditions of contract that should apply; and
 - (c) Part G Ongoing Requirements – which details the procedures that must be followed if you need to vary, extend or terminate your contract; and
 - (d) Part H Appointment of Consultants – which details the special procedures that should be followed regarding the appointment of consultants; and
 - (e) Part I Land Transactions – which details the special procedures that should be followed regarding the acquisition or disposal of any interest in land.
- 2.3 Procurement decisions are amongst the most important decisions an Officer will make because the money involved is public money. Efficient use of scarce resources is therefore vital. Equally as important is the Council's reputation, which should be safeguarded from any suspicion of dishonesty or corruption. Officers must ensure that they are able to account for all the actions and decisions they take, and that all processes are transparent and can be audited. Following these Rules will ensure that Officers meet these requirements.
- 2.4 Failure to comply with the Rules will result in Officers conduct being examined and may be a breach under the [Council's Managing Misconduct Policy](#). It is a potential disciplinary offence to fail to comply with these Rules when letting contracts and employees have a duty to report breaches of these Rules to the Service Director: Legal and Community, who is also the Council's Monitoring Officer (monitoring.officer@north-herts.gov.uk). The Monitoring Officer will then report the matter to the relevant officer's line manager and may consult with the Service Director: Resources. .
- 2.5 The Rules have been adopted in accordance with the requirements of Section 135(2) of the Local Government Act 1972.
- 2.6 The Council's Contracts and Procurement Group is responsible for reviewing and providing guidance on all procurement and contractual matters.
- 2.7 You should ask for advice from Legal, as per the contacts list at the end of these Rules, if any aspect of these rules is unclear. You should also seek Legal advice at the indicated stages of any procurement process, and at any other time should you wish to do so.
- 2.8 Officers have a responsibility to read and be familiar with these Rules.
- 2.9 Capitalised words usually have a particular defined meaning which is either explained elsewhere within these rules or else defined in another document. Common contract and procurement defined words are defined in the Contract Procurement Rules Jargon Busting Guide. Please contact Legal if the meaning of any of these Rules is unclear.

2.10 In these Rules, unless otherwise stated, references to a Service Director are to the Service Director of the department responsible for the contract in question or such senior officer of that department to whom the Service Director has delegated in writing the powers in question.

3 Scope

3.1 These Rules apply to all contracts for works or the supply of goods or services to North Hertfordshire District Council save as set out in rule 3.4.

3.2 You must not enter into any contract until all necessary approvals, sanctions and consents have been obtained and ensured these Rules have been followed.

3.3 No tender or quotation may be accepted unless the necessary approval, sanction and consent have been obtained.

3.4 These Rules apply to all contracts with third parties and all sub-contracts where the Council nominates a sub-contractor or supplier, or where we appoint a consultant (refer to Part H) to act on behalf of the Council. They also apply, in appropriate circumstances, to the sale of assets, goods or services by the Council. They do not apply to:

- contracts of employment
- purchases made at public auction
- contracts with other local authorities or Central Government (this can refer to collaborative working such as consortia arrangements, where the Procurement rules of the lead authority apply)
- contracts which are exempt under the Public Contracts Regulations 2015

3.5 There are particular requirements in relation to the appointment of consultants, (Part H Appointment of Consultants) and transactions involving land, (Part I Land Transactions).

3.6 These Rules are made up of two intersecting sets of rules: EU and UK public procurement law; and competition law; and the Council Constitution. The Council Constitution applies to procurements of any value and has four levels depending on the Contract Value. EU and UK public procurement law applies in addition to the Council Constitution in relation to procurements above the EU Threshold.

3.7 The principles of the Public Services (Social Value) Act 2012 will be applied to all relevant procurements and contract management required by the legislation and in any event will be applied to all procurement contracts above the EU threshold including capital works and goods supply. Additionally a “go local” policy applies to all contracts valued below £50,000, to first attempt to locate those goods, services or works from a supplier located within the North Herts District Council geographical area. Advice on these policies and the toolkits available to assist you should be sought from Legal.

3.8 These Rules will be reviewed regularly. Responsibility for this lies with the Service Director: Legal and Community (or relevant delegated officer) in consultation with the Contracts and Procurement Group. The Legal and Community Directorate includes both Legal and Procurement Officers.

3.9 These Rules do not apply to Concession Contracts (*see Glossary of Terms in section 34*). For Concession Contracts equal to or greater than the sum specified in Article 8(1) of the Concessions Directive, please follow the processes set out in the Concession Contracts Regulations 2016. Seek advice from Legal.

3.10 For all relevant procurements (see Table A), you must consider the extent to which environmental protection and the following principles of locality could be incorporated and promoted in both the contract award criteria and performance of contract.

- Increase local spend to invest in the local economy
- Co-ordinate services at a neighbourhood level
- Think about the whole system not individual service silos
- Focus on early intervention now to save costs tomorrow
- Commit to your community and proactively support local organisations
- Commission services simply and collaboratively so they are “local by default”
- Physical environmental impacts

Part C Procurement Methods

4 Introduction

4.1 The nature of the Council's activities often calls for a close working relationship with commercial organisations and without making any implication of improper conduct by either Officers or contractors, it is in your interests to ensure that there cannot even be a suspicion of a conflict of interest.

4.2 This Rule is of particular importance to staff who are in close contact with commercial firms seeking the opportunity to tender for the Council's services. It is important that the actions of such staff should be manifestly above suspicion of bias in favour of a particular firm and every care must be taken not to disclose 'in confidence' information e.g. tender prices.

Personal Interests

4.3 No contract may be awarded to an Officer of the Council, or to any partnership of which they, or any member of their family are a member (except for a corporation in which they are a shareholder) or to any company of which they or any member of their family are a director unless a relevant conflict of interest form has been completed and authorisation obtained from the officer's Appropriate Officer¹ for the award of the contract to proceed.

4.4 No Officer may accept a directorship in any company unless approved under the Employee Conflicts of Interest Policy. Permission should be sought from their Appropriate Officer, as detailed in the Employee Conflicts of Interest Policy². All Officers are expected to be aware of and comply with the requirements of the Council's policy.

4.5 The exception to this rule is if two Officers of the Council put in an expression of interest to supply a service through the Community Right of Challenge Act 2012. Information on this Community Right is available on the Council's website³. Any Officers that have put in an expression of interest cannot take part in the tendering process from a Council perspective, e.g. they cannot participate in tender evaluation.

Prevention of Corruption

¹ Officers to review Conflicts of Interest Policy and complete form 3 : <http://intranet.north-herts.gov.uk/home/about-me/hr-policies/conflicts-interest>

² *Ibid*

³ <https://www.north-herts.gov.uk/home/community/community-right-challenge>

CPR Full Council approved version XX

- 4.6 All contracts should ensure that suppliers are under a contractual obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti – Bribery Policy.
- 4.7 No Officer may purchase goods from or use the services of a contractor on preferential terms for private purposes if these terms are given either directly or indirectly because of the potential or actual contractual or other official business relationship between the contractor and the Council.

Hospitality

- 4.8 The utmost discretion must be exercised if offers of hospitality, gifts etc. are received from contractors with whom staff deal in the course of their official duties. Dealings must be kept strictly on a business footing and the highest standard of watchfulness and integrity must be maintained at all times. See also the Council Employee Gift's and Hospitality Policy:

<http://intranet.north-herts.gov.uk/home/about-me/hr-policies/gifts-and-hospitality>

Councillors who exercise their functions under these rules are also obliged to following their Code of Conduct, the NHDC Member Protocol for Gifts & Hospitality and declare any relevant interests⁴.

Record of Interests

- 4.9 All interests in contracts must also be declared in writing in register (Interests in Contracts form 3) held by the Service Director: Legal and Community and all interests registered are open to inspection by members and the public:

<http://intranet.north-herts.gov.uk/home/about-me/hr-policies/conflicts-interest>

Whistleblowing

- 4.10 When a Member, employee or a contractor raises concerns about the activities of the Council which are ethically questionable, this is known as whistleblowing and is covered by the Councils' "Whistleblowing Policy". The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff. It also covers suppliers and those providing services under a contract with the Council on their own premises. Further information is available at:

<http://intranet.north-herts.gov.uk/home/finance-and-procurement/corporate-governance/whistleblowing-policy>

5 Contract values

- 5.1 The estimated annual and total aggregate values of any contract (whether for works, goods or services – see below and Table A) should be established prior to going to the market and should be recorded in writing.

The aggregate value of any contract is calculated on the basis of the total value of the consideration including any options for extensions or renewals (usually the cost payable but may include any benefit in kind or other benefit to the contractor) estimated to be payable over the entire contract period. Where the contract provides for an option to renew or extend, then the estimate should be based on the assumption that the option is exercised.

Some contracts might be indefinite in length. In relation to services, the value shall be the total expenditure incurred over a four year period. In relation to supply of goods the value shall be the total expenditure incurred over a twelve month period. Note works contracts cannot be indefinite as they end when the works are complete.

⁴ <https://www.north-herts.gov.uk/home/council-and-democracy/councillors/councillors-code-conduct-and-declaration-interests>
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- 5.1.1 The aggregate value of any works contract shall include not only the value of the works themselves over the entire estimated length but also all the related services, equipment and materials which the contractor will be expected to provide under the contract, so it is vital that the specification of the contract is comprehensive. If other contractors are providing separate services, i.e. Quantity Surveyors or Architecture Consultancy in relation to works contracts, these are not included and are treated as separate contracts to the main contract.
- 5.1.2 (a) “Works Contract” means a contract which has as its object construction, demolition of buildings, civil engineering, earthworks and associated requirements such as re-roofing, re-surfacing, design services etc.
- (b) “Services Contract” means a contract which has as its object a service of some sort, e.g. courier services, street cleansing, training etc.
- (c) “Goods Contract” means a contract which has as its object the supply of some tangible items e.g. photocopiers, refuse bins, consumables etc.
- (d) “Consultancy Services” (see Part H) means a contract to provide specialist advice or support to the Council. This does not cover training providers.
- 5.2 The estimate is in Pounds Sterling exclusive of Value Added Tax. This value does not include any saving to the Council. This estimate is the **Contract Value**.
- 5.3 Contract Values must not be artificially under or over estimated or divided where the effect is to avoid the Rules.
- 5.4 The Contract Value determines which of the four levels of the Rules are applicable. However, if the preliminary estimate is within 10% of a higher category value, then the provisions for the higher level should be applied. This allows for any potential overspend on the Contract which would otherwise have meant that the final value of the contract was above the threshold for the type of procurement used.
- 5.5 In all cases a procedure applicable to a higher value contract may be used if it is considered to be in the Council’s best interests or is considered to be best practice.
- 5.6 If there is any conflict or if it is unclear which procedure should apply, you should as a default method, apply the rules as if your procurement was a tender, i.e. Rule 8 (Tender). Please ask Legal for advice.
- 5.7 If there is an intention to use indices for calculating any contract uplift, please ask Finance (Resources Directorate) for advice.

5 Summary of requirements for Contract Values – Table A

PROCUREMENT – TABLE OF REQUIREMENTS – GOODS AND SERVICES					
UNDER 5K	£5K-£10K	£10K - £50K	£50K - £100K	£100K - EU	EU PROCUREMENTS
1 Quote	2 Quotes	3 Quotes	Open Advert	Open Advert	Restricted, Open or Negotiated Process
Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy			
-	Keep records of offers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers.	- Discussion with Legal before starting procurement including discussion on incorporating environmental protection and locality	Discussion with Legal before starting procurement including discussion on incorporating environmental protection and locality	- Initial procurement meeting held with Legal before starting the procurement including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Legal before starting the procurement including discussion on incorporating environmental protection and locality.
-	-	Standard Quotation Documents	Standard Quotation Documents	Standard Tender Documents	Standard Tender Documents
-	-	Must use e - Tendering	Must use e- Tendering	Must use e- Tendering	Must use e - Tendering
-	-	-	Carry out Risk Assessment	Carry out Risk Assessment	Carry out Risk Assessment
-	-	-	Consider Social Value	-Consider Social Value	Must consider Social Value
-	-	-	Standard decision letter templates	Standard decision letter templates.	Standard decision letter templates
-	-	-	-	Detailed Feedback	Detailed Feedback
-	-	-	-	Observe 10 day Standstill	Observe 10 day Standstill.
-	-	-	Standard Award letters.	Standard Award letters.	Standard Award letters.
-	-	-	Contracts must be completed and signed by both parties prior to commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.	Contracts must be completed and signed by both parties prior to contract commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.. Consider if contract should be sealed as a deed.	Contracts must be completed and signed by both parties prior to contract commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing. Consider if contract should be sealed as a deed.
-	-	-	Must complete Decision Notice	Must complete Decision notice	Must complete Decision Notice
-	Must provide details for	Must provide details for	Must provide details for	Must provide details for Contract	Must provide details for Contract Register.

	Contract Register.	Contract Register	Contract Register.	Register.	
-	-	-	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.
-	-	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google Alerts. Mandatory Creditsafe alerts.

PROCUREMENT – TABLE OF REQUIREMENTS – WORKS

EMERGENCY UP TO £2.5K	UNDER £10k	£10K - £50K	£50K - £250K	£250K - EU	EU PROCUREMENTS
1 Verbal Quote	1 Written Quote	3 Quotes	3 Quotes	Restricted Process or Open Advert	Restricted, Open or Negotiated Process
Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy	-	-	-
-	Must keep records of offers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers.	Must keep records of suppliers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers, evaluation record sheets.	- Discussion with Legal before starting procurement including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Legal before starting the procurement. including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Legal before starting the procurement. including discussion on incorporating environmental protection and locality.
-	-	Standard Quotation Documents	Standard Quotation Documents	Standard Tender Documents	Standard Tender Documents
-	-	Consider e - Tendering	Must use e- Tendering	Must use e- Tendering	Must use e - Tendering
-	-	-	Carry out Risk Assessment	Carry out Risk Assessment	Carry out Risk Assessment
-	-	-	Consider Social Value	Consider Social Value	Must consider Social Value
-	-	-	Standard decision letter templates	Standard decision letter templates.	Standard decision letter templates
-	-	-	-	Detailed Feedback	Detailed Feedback
-	-	-	-	Observe 10 day Standstill	Observe 10 day Standstill.
-	-	-	Standard Award letters.	Standard Award letters.	Standard Award letters.
-	-	-	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a waiver should be provided to the	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a waiver should be provided to the Service Director: Legal and

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			waiver should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.	Service Director: Legal and Community prior to the start date with a plan to achieve contract signing Consider if contract should be sealed as a deed.	Community prior to the start date with a plan to achieve contract signing. Consider if contract should be sealed as a deed.
-	-	-	Must complete Decision Notice	Must complete Decision notice	Must complete Decision Notice
-	Must provide details for Contract Register.	Must provide details for Contract Register	Must provide details for Contract Register	Must provide details for Contract Register	Must provide details for Contract Register
-	-	-	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.
-	-	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google Alerts. Mandatory Creditsafe alerts.

6 Estimates – (Below £10,000)

- 6.1 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money.
- 6.2 The Council has adopted a Go Local Policy for all procurements below £50,000. Officers should always seek to obtain local quotes where available. A record should be kept of the decision making process, as this may be required for audit purposes.. (See Glossary of Terms for description of Go Local and link to Cabinet report)
- 6.3 Officers should demonstrate that value for money has been obtained and should maintain records accordingly, in line with the Document Retention Schedule.
 - 6.3.1 Such records should contain, as a minimum:
 - (a) the number of estimates or offers invited; and
 - (b) the method of inviting estimates or offers; and
 - (c) the basis of selecting suppliers/contractors; and
 - (d) the staff authorised to accept estimates or offers.
- 6.4 Official Purchase Orders must be raised through the Council's electronic ordering system in accordance with Financial Regulations.
- 6.5 You must follow Rule 20 (Contracts).

7 Quotation (Goods and Services £10,000 to £100,000 / Works £50,000 to £250,000)

- 7.1 All Quotations should take place using the Council's E – Tendering system. Contact Procurement for assistance.
- 7.2 Prior to starting your quotation you should contact Legal to discuss you planned procurement.
- 7.3 Once a quotation process has started, there must be no contact with any of the bidders unless it is through a clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Legal.
- 7.4 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money, that any selection process used is fair and equitable, and that no positive or negative favouritism is shown to any contractor.
- 7.5 Please see Table A under Rule 5 for contract notice requirements. In addition, the project manager may also place an advert in a trade publication (please be aware that some publications charge for adverts).
- 7.6 You must have a specification of requirements. See
- 7.7 Part F Specific Rules of Contract, in particular Rule 26 (Specification).
 - 7.7.1 You must not change the specification after requesting quotations.
- 7.8 You must follow the procedures in Rule 17 (Evaluation Criteria for Quotations and Tenders).
 - 7.8.1 You must not change the scoring method after requesting quotations.

- 7.9 You may approach only a single supplier if the conditions in Rule 14 (Single Tender) are met. This process may only be used where there are compelling reasons for it being required and must not be applied solely because it is convenient to do so. Otherwise you should invite a minimum of three formal quotations. (Please check with Legal before proceeding).
- 7.9.1 Where you can demonstrate that there are insufficient suitably qualified contractors or suppliers to meet the requirements for a minimum of three quotations, both suitably qualified candidates must be invited and this approach agreed under Rule 22 (Waivers).
- 7.9.2 At least two satisfactory responses (i.e. responses which meet a minimum quality standard under which the Council could award the contract) must be received. If the Council receives only one satisfactory response, the Officer must obtain an additional quote or tender or obtain a waiver under Rule 22 (Waivers).
- 7.10 You must follow the procedures outlined in:
- (a) Rule 15 (Receipt of Quotations / Tenders); and
 - (b) Rule 16 (Opening Quotations and Tenders); and
 - (c) Rule 20 (Contracts).
- 7.11 The Council has adopted a Go Local Policy for all procurements below £50,000. Officers should always seek to obtain local quotes where available. A record should be kept of the decision making process, as this may be required for audit purposes. (See the Glossary of Terms for a description of Go Local and link to Cabinet Report).
- 7.12 For Contracts over £25,000 you must post an award notice to Contract Finder using the Councils E-Tendering system, even if the procurement was not advertised. This is a Government requirement for Transparency purposes.
- 7.13 For contracts above £50,000 you must publish an official NHDC Decision Notice on the Councils' website. The Decision Notice template is available on the following page on the Intranet.
<http://intranet.north-herts.gov.uk/home/doing-business/procurement/standard-procurement-templates>

8 Tenders (Goods and Services above £100,000 and Works above £250,000)

- 8.1 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money, that any selection process used is fair and equitable, and that no positive or negative favouritism is shown to any contractor.
- 8.2 Prior to starting your quotation you should contact Legal to discuss you planned procurement.
- 8.3 You must have a specification of requirements. See
- 8.4 Part F Specific Rules of Contract, in particular Rule 26 (Specification).
- 8.4.1 It is important that all documentation and specifications are completed before proceeding to advert. If this is not done in the initial stages, officers may find that they have placed themselves under unnecessary pressure to meet the timescales they have set. In addition, please ensure that all Project meetings (e.g. evaluation and moderation) are timetabled well in advance to ensure resource availability at key points, and no diary clashes).
- 8.4.2 For all procurements which require Member input, you must consult on the specification with the Executive Member prior to going out to quotation or tender.

- 8.4.3 You must not change the specification once the Invitation to Tender (ITT) has been sent to interested bidders.
- 8.5 You must follow the procedures in Rule 17 (Evaluation Criteria for Quotations and Tenders).
- 8.5.1 For all procurements which require Executive Member input, you must consult on the scoring method with the Executive Member prior to going out to quotation or tender.
- 8.5.2 You must not change the scoring method once Selection Questionnaire or Invitations to Tender (ITT) have been sent to interested bidders.
- 8.6 You must have a contract prepared in advance in a form approved by the Service Director: Legal and Community. See
- 8.7 Part F Specific Rules of Contract.
- 8.7.1 Contact Legal for advice if you need to negotiate or amend the contract during the tender process.
- 8.8 If you are unable, or if your Service Director decides that it is not feasible to meet these requirements you must obtain a waiver under Rule 22 (Waivers).

Tendering Options

- 8.9 Service Directors should select one of the tendering methods described in Table B. Alternative methods of tendering may be used with approval of Cabinet in advance. Contact Legal for advice.

Table B

<u>Tender Option</u>	<u>Description</u>
Open tender Rule 9	This process should be used when there are only a small number of suppliers competing for the business. There is no pre-qualification. Any interested supplier may tender.
Restricted tender Rule 10	This process should be used if there are a large number of suppliers competing for the business. It can only be used for above OJEU procurements. Suppliers are pre-qualified as to their suitability as contracting partners. They are assessed as to whether they have the capability to provide the works, goods or services. Qualified suppliers are invited to tender and are assessed as to how they will provide works, goods or services.
Framework Agreement Rule 11	This process may be used if we are named or named via a link (e.g. Supply Herts) as a member of an appropriate Framework Agreement, or if it is an Open Framework. The procedure is that defined by the Framework Agreement but generally invites supplier members to tender prices against a specification. There is not normally any negotiation on terms or conditions.
Competitive procedure with Negotiation and Competitive Dialogue Rule 12	These processes can be used when it is not possible to adapt readily available solutions or design / innovation may be required. Rules 29 and 30 of the Public Contract Regulations set out the requirements.

<p>Innovation Partnership Rule 13</p>	<p>These processes can be used when it is not possible to adapt readily available solutions or design / innovation may be required.</p> <p>Rule 31 of the Public Contract Regulations sets out the requirements</p>
<p>Single tender Rule 14</p>	<p>You approach only a single supplier for their tender.</p> <p>This process may only be used where there are compelling reasons for it being required and must not be applied solely because it is convenient to do so.</p> <p>(Contact Legal for advice)</p>

Part D Tendering Methods

Rule 40 of The Public Contract Regulations 2015 expressly allows opportunities for Pre Tender market consultation. Please consult with Legal and Procurement on its use as the rules must be carefully followed.

9. Open Tender

Once a tender process has started, there must be no contact with any of the bidders unless it is through a clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Legal, although please keep Procurement Services informed of progress.

9.1 All adverts and contract award notices must be published as per Table A requirements.

9.1.1 See Rule 34 (Glossary of Terms) for the meaning of "EU Threshold" and "OJEU".

Invitation to Tender (ITT)

9.2 The Council has a standard ITT template which will be tailored for each procurement. Please contact Legal for the current version.

9.2.1 The ITT is a document that details the goods or services we require, in sufficient detail for the interested contractors to give us an accurate quotation of price and how they will meet our minimum expected service levels. The ITT incorporates the form of contract that we intend to contract under, as well as the detailed specification which is probably the most important element. The ITT for every specific procurement must be "owned" by the Project or Service Manager leading the procurement exercise. See also Rules 23 (Contractual Terms) and 24 (Specification).

9.3 You must send all interested suppliers a copy of the ITT. You should seek advice from Legal in creating your ITT. Your ITT should contain questions that assess the supplier's ability to provide the services and their suitability to be contracting partners to the Council. This is done by assessing (where relevant):

- a) the suppliers ability to perform their obligations against the specification; and
- b) financial standing; and
- c) technical standards; and
- d) insurance; and
- e) health and safety; and

- f) environmental and economic (e.g. employment) factors: and
- g) social value, and
- h) compliance with any other relevant statutory obligation; (including equalities) and
- i) references.

9.4 You must follow the procedures outlined in:

- a) Rule 15 (Receipt of Quotations / Tenders); and
- b) Rule 16 (Opening Quotations and Tenders); and
- c) Rule 17 (Evaluation Criteria for Quotations and Tenders); and
- d) Rule 18 (Contract Award); and
- e) Rule 19 (Standstill Period) it is highly recommended that this is observed for all tenders unless timescales are prohibitive.

10. Restricted Tender

Once a tender process has started, there must be no contact with any of the bidders unless it is through a clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Legal.

10.1.1 All adverts and contract award notices must be published as per the requirements in Table A.

10.2 The restricted tender procedure splits the procurement process into two stages: the SSQ and then the ITT. **This process can only be used for procurements above the OJEU threshold for services.**

10.2.1 See Rule 34 (Glossary of Terms) for the meaning of “SSQ” and “ITT”.

Standard Selection Questionnaire (SSQ)

10.3 You should use the approved starting point SSQ. Contact Legal for the current version.

10.4 You must send all interested suppliers a copy of the SSQ. You should seek advice from Legal when creating your SSQ.

10.5 The SSQ stage involves assessing the general capability of a company as a contracting party to provide the services. This is done by assessing:

- a) financial standing; and
- b) technical standards; and
- c) environmental and economic (e.g. employment) factors; and
- d) compliance with any other relevant statutory obligation; and
- e) references; and
- f) and other matters that do not relate to the quality of their services, just their ability to provide the service.
- g) The following may be assessed at SSQ or ITT stage – Social Value and Equalities impacts.

10.6 This assessment is designed to fail those companies that we could not contract with and allow to ITT all companies we could contract with.

- 10.7 It is important not to assess aspects of quality at SSQ otherwise you cannot ask the same question at ITT. A supplier's quality of service should only be assessed by their tender (following ITT).
- 10.8 The process for selecting and short listing contractors must be transparent, fair and auditable.

Invitation to Tender (ITT)

- 10.9 You should use the approved starting point ITT. Contact Legal for the current version.
- 10.9.1 The ITT is a document that details the goods or services we require in sufficient detail for the interested contractors to give us an accurate quotation of price and how they will meet our minimum expected service levels. The ITT incorporates the form of contract that we intend to contract under as well as the detailed specification which is probably the most important element. The Evaluation Criteria must also be included in this document. See also Rules 25 (Contractual Terms) and 26 (Specification).
- 10.10 You must send all short listed suppliers a copy of the ITT. You should seek advice from Legal when creating your ITT.
- 10.11 Your ITT should contain questions that assess the supplier's ability to provide the services and their suitability to be contracting partners to the Council. This is done by assessing the supplier's ability to perform their obligations against the specification. You should not include any question you have assessed in your SSQ.
- 10.12 You must follow the procedures outlined in:
- a) Rule 15 (Receipt of Quotations / Tenders); and
 - b) Rule 16 (Opening Quotations and Tenders); and
 - c) Rule 17 (Evaluation of Quotations / Tenders); and
 - d) Rule 18 (Contract Award); and
 - e) Rule 19 (Standstill Period) - it is highly recommended that this is observed for all tenders unless timescales are prohibitive.

11. Call-Off Further Competition under a Framework Agreement

- 11.1 The full tendering procedures within the Rules will not apply to a contract where Legal, advises it is appropriate to purchase from suppliers through an approved external Framework Agreement.
- 11.2 See Rule 34 (Glossary of Terms) for the meaning of "Framework Agreement".
- 11.3 This Rule only applies if the Council is already named or named via a link (e.g. Supply Herts) unless using a consortium framework. i.e. ESPO (Eastern Shires Purchasing Organisation) or it is an Open Framework. If there is no appropriate Framework Agreement in place see Rule 21 (Joining a Framework Agreement).
- 11.4 Each Framework Agreement has its own procedures in relation to purchasing from a Supplier under the agreement. These must be followed exactly. See Legal for advice. These procedures may be quicker and more straightforward than full procurements. As with all Frameworks, it is important to consider whether it provides the best Value for Money outcome.

11A Dynamic Purchasing System

- 11A.1 The tendering procedures in these Rules will not apply to a contract if Legal advises it is appropriate to purchase from suppliers through a Dynamic Purchasing System.

- 11A.2 See Rule 34 (Glossary of Terms) for the meaning of “Dynamic Purchasing System”
- 11A.3 Dynamic Purchasing Systems (“DPS”) can provide all the benefits of a Framework Agreement but are more flexible. The key benefits compared to a Framework Agreement are no limits on duration and suppliers can join and leave at any time.
- 11A.4 A DPS is generally appropriate for purchasing simple and commoditised goods. Please seek advice from Legal.

12. Competitive Procedure with Negotiation

- 12.1 All adverts and contract award notices must be published as per the requirements in Table A
- 12.2 The Competitive Procedure with Negotiation splits the procurement process into initial receipt of ITTs, a negotiation stage and final submission of bids from Suppliers.
- 12.3 Competitive Procedure with Negotiation is subject to detailed rules and Legal must be consulted if this option is selected.
- 12.4 As in 8.6 the approval of Cabinet must be obtained in advance if this method is selected.

13. Innovative Partnership procedure.

- 13.1 All adverts and contract award notices must be published as per the requirements in Table A
- 13.2 This procedure may only be used where it has been identified that there is a need for innovative goods, services or works which cannot be met by the existing market.
- 13.3 The Innovative Partnership procedure is subject to detailed rules, and Legal must be consulted if this option is selected.
- 13.4 As in 8.6 the approval of Cabinet must be obtained in advance if this method is selected.

14. Single Tender

Please liaise with Legal in the first instance, as pre-authorisation for this approach is required as per Rule 14.2.

Below EU Threshold

- 14.1 A single tender may be obtained when:
- a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available; or
 - b) The works, goods, or services to be supplied consist of repairs to or the supply of parts or upgrading of existing proprietary machinery, equipment, software, hardware or plant and the repairs or the supply cannot be carried out practicably by alternative contractors; or
 - c) Specialist consultants, suppliers, agents or professional advisors are required and:
 - (i) Evidence that there is no satisfactory alternative; or
 - (ii) evidence indicates that there is likely to be no genuine competition; or
 - (iii) it is in the Council’s best interest to engage a particular consultant, supplier, agent or advisor; (Contact Legal for advice) or
 - d) Products are sold at a fixed price and market conditions make genuine competition impossible.

- 14.2 You must have prior written approval of the Service Director responsible, the Service Director: Legal and Community and the Service Director: Resources. Contact Legal for advice on preparing your Single Tender Option report.
- 14.3 In the event that approval has not been obtained for a single tender in accordance with section 14.2, and a contract has been awarded, the Service Director: Resources and the Service Director: Legal and Community may grant retrospective approval provided the following conditions are met:
- (i) Expenditure is within approved budgets or overspend has been reported
 - (ii) Contract award was approved under Section 14 of the Council's Constitution (Responsibility for Functions)
 - (iii) The Service Director: Resources and the Service Director: Legal and Community are satisfied that an application for a single tender would have been approved under section 14.2.
 - (iv) The commissioning officer completes an application for retrospective approval to the Service Director: Resources and the Service Director: Legal and Community.

Above EU Threshold

Please liaise with Legal and Procurement in the first instance.

- 14.4 A single tender may only be obtained if:
- a) No tenders or no appropriate tenders were received in response to a previous tender; or
 - b) The contract involved is purely for the purpose of research, experiment, study or development under specific conditions; or
 - c) The works/goods/services can be provided only by a particular tenderer for reasons that are:
 - (i) Technical; or
 - (ii) Artistic; or
 - (iii) Connected with the protection of exclusive rights; or
 - d) Because of extreme urgency brought about by events unforeseeable by the contracting authority and in accordance with strict conditions; or
 - e) Additional works/deliveries/services are ordered under strict conditions; or
 - f) New works/services, constituting a repetition of existing works/services are ordered in accordance with strict conditions; or
 - g) Service contract awarded to the successful candidate or one of them after a design contest; or
 - h) For supplies quoted and purchased on a commodity market; or
 - i) For the purchase of supplies on particularly advantageous terms:
 - (i) From a supplier which is definitely winding up its business activities; or
 - (ii) From the receivers or liquidators of a bankruptcy, an arrangement with creditors or a similar procedure; or
 - j) All tenders submitted in reply to an open procedure, or a restricted procedure were irregular or unacceptable. Only those tenderers who satisfied the qualitative selection criteria (i.e. PQQ) may be included in the negotiations.
- 14.5 You must have prior written approval of the Service Director responsible, the Service Director: Legal and Community and the Service Director: Resources. Contact Legal for advice on preparing your Single Tender Option report.

- 14.6 A “voluntary ex transparency notice” (VEAT) must be published in the OJEU giving reasons for negotiating with a single supplier. This takes the place of the “contract award notice” described by Rule 18 (Contract Award).
- 14.7 You must follow Rule 19 (Standstill Period).
- 14.8 In the event that approval has not been obtained for a single tender, in accordance with section 14.5, and a contract has been awarded, the Service Director: Resources and the Service Director: Legal and Community may grant retrospective approval provided the following conditions are met:
- (i) Contract award was compliant with EU procurement law
 - (ii) Expenditure is within approved budgets or overspend has been reported
 - (iii) Contract award was approved under Section 14 of the Council’s Constitution (Responsibility for Functions)
 - (iv) The Service Director: Resources and the Service Director: Legal and Community are satisfied that an application for a single tender would have been approved under section 14.5
 - (v) The commissioning officer completes an application for retrospective approval to the Service Director: Resources and the Service Director: Legal and Community.
- 14.9 In respect of both retrospective approvals detailed under 14.3 and 14.8, you must also remember to publish a delegated decision for any contract award with an total value of £50,000 and above exclusive of options to extend.

15. Receipt of Quotations / Tenders

- 15.1 All quotations and tenders should be received electronically via the Councils E-tendering system. The documents cannot be accessed until the closing date and time has passed.
- 15.2 Where the circumstances so warrant, a Service Director may postpone for a reasonable period the closing time and date for the receipt of quotations and tenders, provided that all persons from whom tenders have been invited are notified by the same method, and given the same information and that no quotations or tenders have been opened. Bidders must be notified in reasonable time through the E-Tendering System.
- 15.3 Contact Legal for advice if there are any problems with receiving quotations or tenders.

16. Opening Quotations and Tenders

- 16.1 Quotations and Tenders must be submitted through the Councils’ e-tendering system. It will automatically record the receipt of the quotation or tender for audit purposes. Each document submitted will be deposited securely in the system to which only the project team and Legal will have access. Once the quotation or tender has been awarded, the documents will be kept securely until the expiry of the retention period.

17. Evaluation Criteria for Quotations and Tenders

- 17.1 The appropriate Service Director, or delegated officer, shall evaluate all the tenders or quotations received in accordance with the evaluation criteria set out in the bid documentation (either the

invitation to quote or ITT).The Project/ Service manager leading the procurement is responsible for organising all the project meetings necessary to complete the procurement process.

- 17.2 The risk of the contract (e.g. in terms of value, length of contract and the impact of the service being provided) will determine the level of financial and viability checks undertaken on the tenderers (as distinct from the financial evaluation of the tender). Where these findings raise significant concerns then they will be discussed by the Contract Manager, Procurement and Finance, who will jointly determine the course of action to take. This decision will consider procurement legislation and the balance of risk. The decision can still be made that the risk will be tolerated
- 17.3 You must clearly explain your evaluation scheme to suppliers in your bid documentation.
- 17.4 You should contact Legal who will advise on the appropriate criteria for your procurement.

Price alone

- 17.5 This assesses the price and not the quality (subject only to minimum levels of quality as defined in your specification) of quotations or tenders. This method is appropriate for supply of goods or simple services and is not normally appropriate for complex services or works. A Price only evaluation must not be used for above OJEU tenders.
- 17.6 The Council will accept the quotation or tender that offers the best price (either the cheapest where the Council pays money or the highest when the Council receives money).
- 17.7 Tenders or quotations exceeding the approved budget may only be accepted once the budget holder has liaised with the Accountancy Manager to determine whether, and how, the budget can be increased.
- 17.8 The acceptance of a tender or quotation that is not the lowest priced tender or quotation shall only be accepted if:
 - a) the Cabinet has considered a written report from the appropriate Service Director; or
 - b) in cases of urgency, the Chief Executive may use Urgency powers as set out in the Constitution. The appropriate Service Director shall report tenders or quotations accepted in this way to the next meeting of the Cabinet.
- 17.9 Where post tender negotiations have been undertaken in accordance with Rule 24 (Post Tender Negotiation), the appropriate Service Director shall only accept the lowest priced tender received. A tender other than the lowest must not be accepted until the Cabinet has considered a written report from the appropriate Service Director and recommended acceptance of a tender other than the lowest.

Most economically advantageous tender

- 17.10 This Rule does not provide comprehensive or exhaustive procedures for the application and evaluation of tenders using most economically advantageous tender criteria. It aims to provide officers with practical advice on suggested evaluation methods to ensure that the aims of NHDC can be achieved and demonstrated taking into account value for money.
- 17.11 The approved starting point ITT includes most economically advantageous tender criteria. Contact Legal for advice on using most economically advantageous tender criteria.
- 17.12 In its simplest form, the most economically advantageous tender criteria includes a balance between the price and quality aspects of your procurement so that the Council achieves the best product for the best price. Common balances are between 70–30 to 60-40 with the weighting towards either price or quality depending on whether price or quality is more important. The weighting decision is made by the Project/ Service Manager leading the procurement.

- 17.13 Most economically advantageous tender criteria must be set before the tender process commences and should include the following elements:
- a) a point scoring system for individual quality / best value considerations set at the commencement of the procurement process with weightings applied to quality / best value issues in accordance with their importance to the contract; and
 - b) a 'quality threshold' which sets the minimum standards expected. Tenders which fall below this will be excluded from consideration; and
 - c) an assessment of the price using either of the Council's "standard" price assessment methods.

18. Contract Award

- 18.1 Following assessment and the selection of the winning tender each of the losing tenderers must be:
- a) informed of the identity of the successful tenderer; and
 - b) informed of the reasons why the Council selected that winning tender; and
 - c) provided with a brief summary of the relative advantages of that tender compared with their own.
- 18.2 You should contact Legal for assistance in preparing these letters to failed tenderers.
- 18.3 All letters and documents must be uploaded through the Councils' e-tendering system and advice is available from Legal.
- 18.4 A "contract award notice" must be published in the OJEU, Contract Finder (and on the NHDC website) following procurements where the Contract Value is over the EU Threshold. All contract award notices should be published via the Councils' e-tendering system within 30 days of contract award. Again, Legal can assist with this.
- 18.5 An official NHDC Decision notice must be prepared by the Project Manager and sent to Member Services to be published on the Councils website. Templates are available on the Legal procurement resource pages of the Intranet at the following link.
- 18.6 <http://intranet.north-herts.gov.uk/home/doing-business/procurement/standard-procurement-templates>
The Service Director: Legal and Community maintains a Contract Register showing all contracts entered into by the Council. Once awarded, all new contracts over £5,000 must be confirmed to Legal so they can be recorded on the Contracts Register. A standard template which captures contract details can be found on the Legal procurement resource pages of the intranet at the link below.

<http://intranet.north-herts.gov.uk/home/doing-business/procurement/standard-procurement-templates>

19. Standstill Period (for EU Threshold only)

- 19.1 Before a contract for value above the EU threshold can be signed, the Council must wait a minimum of 10 calendar days. This "standstill period" allows a losing supplier to challenge the award decision.
- 19.2 The standstill period must be built into the procurement timetable and immediately follows notification to all tenderers regarding the proposed Contract Award.
- 19.3 You must inform Legal if any failed potential contractor challenges a contract award as soon as possible.
- 19.4 You must not sign a contract during the standstill period or after any challenge without specific advice in writing from the Service Director: Legal and Community.

20. Contracts

- 20.1 All contracts must be in writing and follow the requirements of
20.2 Part F Specific Rules of Contract.
- 20.2.1 Contracts under £10,000 must, as a minimum, be in the form of an official order, issued and approved by an authorised officer in accordance with the Council's Financial Regulations.
- 20.2.2 Contracts in excess of £10,000, or in any other case where the responsible Service Director decides it is necessary or desirable, must be drawn up in a form approved by the Service Director: Legal and Community.
- 20.3 For all works contracts over £50,000, documents must be completed and signed by both parties prior to any works commencing.
- 20.4 For goods and services contracts over £50,000, contracts should be executed before commencement where practical. As soon as you become aware that this is not feasible, notification should be provided to the Service Director: Legal and Community with the reasons why this shall not take place and likely timescale and plan for any delays in execution.
- 20.5 Where the contract value exceeds £100,000 you should consider whether the contract should be sealed as a deed. Sealing as a deed offers a number of technical advantages over contracts under hand (i.e. just signed by an appropriate person). The main relevant advantage for the Council is that it can sue under the contract for 12 years (against the normal 6 years). This is most relevant for works or significant services contracts where latent defects or incorrect advice may only cause problems years later. Please contact Legal for advice if you are unsure.
- 20.6 A contract of any value may be sealed if requested by the responsible Service Director or the Service Director: Legal and Community. Please contact Legal for advice.

21. Joining a Framework Agreement

In some instances, a Framework Agreement can offer the most cost effective and appropriate means by which to procure. However, this may not necessarily be the case and so should be regarded as one potential means by which to proceed and should be compared to the alternatives. Procurement will research framework agreements to ensure that they are available for use by NHDC and Legal will check the terms and conditions of the call off agreement, if one exists. The Project manager should ensure that it is fit for purpose for their needs.

- 21.1 A Framework Agreement is “an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged”.
- 21.2 This means that the Framework Agreement is a pre-agreed set of terms and conditions that establishes the terms and conditions that will apply to subsequent contracts (a **Call-Off** contract) created under the Framework Agreement but it does not itself do anything except explain how Call-Off contracts are made.
- 21.3 Frameworks can cover supply of works, goods or services. They are useful because once a Framework Agreement has been set up to cover a particular type of works, goods or service you do not need to carry out a full procurement exercise each time you need that supply. Dependant on how the framework has been set up, you can either purchase directly from a supplier, or carry out a mini competition amongst the suppliers. Some consortia require an access agreement to be completed. If there is no appropriate Framework Agreement in place, you can consider whether your procurement

is suitable to be a Framework Agreement with other authorities. Procuring supply through a Framework Agreement may lead to price efficiencies due to increased purchasing power.

- 21.4 The maximum duration of a Framework Agreement is four years. The term of a framework agreement may not exceed four years, save in exceptional cases, duly justified. Contact Legal who will provide advice and guidance.
- 21.5 Call-Off contracts may extend beyond the life of the Framework Agreement. The terms of the Framework and the maximum length of call off will need to be considered on a case by case basis.
- 21.6 Useful Framework Agreements include Eastern Shires Purchasing Organisation (ESPO), the Crown Commercial Service (CCS), Hertfordshire Business Services, Supply Hertfordshire, Yorkshire Purchasing Organisation (YPO) North East Purchasing Organisation (NEPO Pro 5 or through any consortia of Local Authorities.

Part E Procurement Issues

22. Waivers

In certain circumstances, it may be necessary to request a variation to these Contract Procurement Rules. Such a request is referred to as a waiver. You must seek advice from Legal in the first instance.

- 22.1 Waivers are not to be used as an alternative to a lack of forward planning. Where a waiver is needed due to unforeseen circumstances, it will be expected that the waiver will be for a short period of time to allow for a tender/quotation process to be carried out. Waivers which have been submitted to extend contracts or for reasons of extreme urgency must have a timetable attached to highlight when the procurement process is going to be undertaken within the framework of the Contract Procurement Rules.
- 22.2 In relation to procurements above the EU Threshold, few elements of these Rules may be waived. Please contact Legal for advice as the general law of public procurement is more complicated than can be summarised in these Rules. Approval must be obtained from the Service Director: Legal and Community and the Service Director: Resources but they may refer the matter to Cabinet for approval.
- 22.3 In relation to procurements below the EU Threshold only, any individual provision in these Rules may be waived. The waiver has to be agreed by:
 - a) a Service Director, in consultation with the Service Director: Resources and the Service Director: Legal and Community, if the Contract Value is £100,000 or less (whether for goods, services or works); or
 - b) the Service Director: Legal and Community and the Service Director: Resources in consultation with the appropriate Executive Member for contracts over £100,000 however they may refer the matter to Cabinet for approval; or
 - c) the Chief Executive activating the Council's 'Major Incident Plan' or a business recovery plan (as outlined in the business continuity management strategy).
- 22.4 All waivers other than a major incident, require a written report being submitted in advance by the authorised officer explaining that the waiver is justified because either:
 - a) the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procurement Rules is justifiable; or
 - b) the contract is for supplies, works or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or

- c) the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or UK law); or
- d) where it is in the Council's overall interest; or
- e) there are other circumstances which are genuinely exceptional.

22.5 A record of the decision and the reasons for it must be kept by the Service Director: Legal and Community.

23. Arithmetic Errors

23.1 Contractors can alter their tenders or quotations after the date specified for their receipt, but before the acceptance of the tender or quotation, where examination by officers of the tender or quotation reveals arithmetic errors or discrepancies which affect the tender or quotation figure.

23.2 The contractor should be given details in writing of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing their offer in writing.

24. Post Tender Negotiation

24.1 In evaluating tenders, the appropriate Service Director, or delegated officer, may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.

24.2 All post-tender negotiations shall:

- a) only be undertaken where permitted by law and where the appropriate Service Director, together with the Service Director: Legal and Community and the Service Director: Resources consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process; and
- b) be conducted by a team of officers approved in writing by the appropriate Service Director, Service Director: Legal and Community and Service Director: Resources; and
- c) be conducted in accordance with guidance issued by Legal and in compliance with current EU legislation; and
- d) not disclose commercially sensitive information supplied by other bidders for the contract.

24.3 Post tender negotiations shall not be used to degrade the original specification unless the capital or revenue budget is exceeded, or the appropriate Service Director considers other special circumstances exist. This process must not put other tenderers at a disadvantage, distort competition or affect adversely trust in the competitive tendering process.

24.4 The appropriate Service Director or delegated officer shall ensure that minutes of all post-tender negotiation meetings are properly taken with all savings and benefits offered clearly costed. Following negotiations, but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor and shall be signed by them.

24.5 There are restrictions on the use of post tender negotiations on procurements over the EU Threshold, which follow the open or restricted procedures. The European Commission specifically rules out any negotiation on price:

"In open and restricted procedures, all negotiations with candidates or tenderers on fundamental aspects of contracts, variations in which are likely to distort competition, and in particular on prices, shall be ruled out. However, discussions with candidates or tenderers may be held only for the purpose of clarifying, or supplementing the content of their tenders or the requirements of the contracting authorities, and provided this does not involve discrimination."

Part F Specific Rules of Contract

25. Contractual Terms

- 25.1 The Council has a number of different standard contractual terms and conditions depending on the nature of the goods, services or type of works you require. These may require additional elements depending on the complexity, risk and importance of the contract. You should ask Legal for advice on the appropriate terms and conditions as early as possible.
- 25.2 If your contractor requests or demands that the Council contracts on their standard terms and conditions, you should contact Legal who will advise you in relation to these terms. In many cases a Suppliers' terms can be acceptable but sometimes negotiation is required.
- 25.3 If your procurement is a Call-Off under a framework agreement there is usually no scope for negotiation on the terms and conditions of that contract. The terms were pre-agreed when the framework agreement was signed. Under a Call-Off contract the only terms that are negotiated are: when and where the work will start; how much will be paid; and when the work will be completed.

26. Specification

- 26.1 A specification is a description of what the Council requires in as much detail as possible. This description should include all the supply that the contractor will provide and it should list all our requirements so that any quotation / tender prices reflect as fully as possible what the Council requires. Contact Legal for assistance with preparing your specification.
- 26.2 Contracts must be consistent with the delivery of the Council's approved policies, service plans and budgets. If for any reason a proposed contract appears likely to require a change to any policy, service plan and/or budget approval of those changes must be obtained in accordance with the Constitution prior to procurement being initiated.
- 26.3 Specifications should have regard to all of the Council's priorities and policies, as well as any legislative requirements. In the specification (and/or award criteria) consideration should be given to factors such as the method of working or production, sourcing of materials, packaging, or type of fuel employed, whole life costing including disposal and environmental issues, which may impact on those wider policies and priorities. These factors should not be applied as a means to stifle competition and be commensurate with potential costs.
- 26.4 Whenever a contract is re-let, the opportunity should be taken to revise the specification to achieve better value, where necessary, seeking approvals as above.

27. Payment

- 27.1 Payment to contractors on account of works contracts should only be made on receipt of a payment certificate, or equivalent under the JCT, NEC, ICE or other industry standard form contract (whether of staged or complete works).
- 27.2 Payment terms applied to all contracts will be within 30 days of receipt of goods or satisfactory completion of services and will be made by BACS, unless there are exceptional circumstances such as stage payments, or there is a benefit to the council to reduce the payment terms.

- 27.3 Contracts which involve the use of subcontractors shall contain a contract clause ensuring payment throughout the supply chain of 30 days payment terms.
- 27.4 Service Directors shall be responsible for ensuring appropriate systems are in place for carrying out checks on contractors' final accounts. These checks should include a suitably qualified officer who has had no previous involvement in the contract.

Part G Ongoing Requirements

28. Variations

You should seek advice from Legal before negotiating / agreeing any variation.

This Rule 30 may apply in addition to the Rule 14 Single Tender Option.

- 28.1 There are two variation procedures: where the contract has provision and procedures relating to variations; and where the contract has no provision for variation.
- 28.2 Any contract may be varied through the use of a deed of variation. You should seek advice from Legal before agreeing any variation.
- 28.3 All variations must be in writing and conform to the appropriate Financial Regulations.
- 28.4 The Service Director: Resources and Service Director: Legal and Community must be informed in writing of any variation.
- 28.5 Any variation under this section does not require reassessment of the original procurement process as a result of a change in the overall value of the contract.

Contractual variation

- 28.6 A Service Director may authorise variations to a contract where the variation procedure and the resulting change in price is determined in accordance with the contract terms – this may be through the use of agreed formula or through serving and agreeing change notices.

Non-contractual variation

- 28.7 A Service Director may authorise variations to a contract where:
- a) delay would incur substantial cost penalties to the Council; or
 - b) the proposed variations are unavoidable and/or essential for the project to proceed or continue; or
 - c) circumstances arise during the performance of the contract which make it necessary to amend the specification or method of carrying out the works or services or purchase of goods; in each case provided that:
 - (i) the cost to the Council of the variation is less than or equal to 20% of the value of the contract, for contracts up to £250,000 for works and £100,000 for services or goods; or
 - (ii) the cost to the Council of the variation is less than or equal to 10% of the value of the contract, for contracts above £250,000 subject to a maximum value of £50,000k in respect of the variation; or
 - d) in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope. In this instance the Service Director must report this action to the Executive Member as soon as possible;

and, if relevant, that the variation is within the scope of the original contract notice or any applicable limits as set out in the Public Contracts Regulations 2015 or the overall value of the contract remains below the applicable OJEU threshold.

28.8 Subject to the availability of budget funding, a Executive Member may authorise variations to a contract which:

- a) adds more than 20% to the value of the contract for contracts up to £250,000; or
- b) adds more than 10% to the estimated value of the contract for contracts above £250,000 subject to a maximum value of £50,000 in respect of the variation; or
- c) in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope;
- d) results in minor changes to the contract terms or specification;

in each case provided that any additional cost does not take the total costs of the contract over the limits permissible by the Public Contracts Regulations 2015 or, if relevant, that the variation is within the scope of the original contract notice.

28.9 Any other variation must be agreed by Cabinet or under delegated authority from Cabinet.

29. Extensions

You should seek advice from Legal before negotiating / agreeing any extension, including Framework Agreements.

29.1 All extensions must be in writing in a form approved by the Service Director: Legal and Community and conform to the appropriate Financial Regulations.

29.2 If the terms of a contract allow for an extension (or the law otherwise permits), then a Service Director may, following consultation with the Service Director: Resources and the relevant Executive Member authorise an extension of a contract by up to twenty four months, up to a value of £200,000.

29.3 The appropriate Executive Member may authorise an extension of more than twenty four months OR in excess of £200,000 with the approval of the Service Director: Resources following consultation with the Finance & IT Executive Member.

29.4 In all cases, officers must demonstrate that any extension complies with all applicable laws and statutory guidance; that a detailed and robust cost/benefit analysis has been undertaken and that sufficient budget is available. The relevant Service Director must also consider whether any extension would have a detrimental impact on the Council's strategies and plans. Where applicable, evidence of the decision making process must be formally recorded in a delegated decision which (in addition to the normal process) is filed on the relevant contract file and a copy sent to the Service Director: Legal and Community.

29.5 Any extension under this section does not require reassessment of the original procurement process so long as the value of the extended contract:

- (i) does not exceed any applicable limits as set out in the Public Contracts Regulations 2015; or
- (ii) is within the limits as set out in the original contract notice; or
- (iii) is below the applicable OJEU threshold

30. Contract Management

- 30.1 Once a contract has been awarded it must be monitored with regular review meetings to raise concerns and issues from both parties.
- 30.2 You should take minutes of any review meeting for the benefit of the Council and the contractor.
- 30.3 Contracts identified as Core contracts should be set up with Creditsafe and /or Google Alerts in order to monitor the financial status of the Company. Please contact Accountancy to set up Creditsafe alerts once the contract has been awarded.
- 30.4 A Contract & Relationship Management guide is available on the Procurement Resource pages of the intranet under the following link:

<http://intranet.north-herts.gov.uk/home/finance-and-procurement/procurement/contract-management>

Part H Appointment of Consultants

31. Consultants

Before the appointment of any Consultants, Officers must contact Legal in the first instance, which will provide advice and guidance on the process.

- 31.1 It is important that best value is obtained when employing consultants. Therefore, for all instances where the Contract Value of a consultancy appointment is over £10,000, the commissioning officer must provide a report to the Service Director responsible containing as a minimum the details listed in Rule 32 (Project Details).
- 31.2 This requirement at 33.1 applies to the appointment of management or other advisory consultancy work (to replace, advise or bolster in-house staff resources in “business as usual” activities) The process outlined in 33.1 does not apply to technical or specialist contracts for services (employed for specific projects and included in approved overall project budget) e.g. specialist engineers, architects, surveyors, barristers etc. However, proper procurement procedures must be followed when appointing in all circumstances and parties must enter into a written contract in the form approved by Legal.
- 31.3 All consultants (of any type) must provide evidence of adequate professional indemnity insurance as determined by the HCC Insurance Manager prior to their appointment. The requirement for insurance and the levels required should be advised in the specification of works. This insurance must be maintained for a minimum of 6 years after the contract ends.
- 31.4 It should be a condition of contract with any consultant, agent or professional advisor who is to be responsible to the Council for the award or supervision of a contract on its behalf, that in relation to that contract they shall:
- a) comply with these Procurement Rules as though they were an employee of the Council; and confirm their acknowledgement of this requirement, (this will be particularly relevant if a consultant sub-contracts on behalf of the Council);
 - b) engage in skills transfer activities where required and appropriate;
 - c) produce on request all the records maintained by them in relation to the contract and award of contract; and
 - d) on completion of the contract, transmit all records that they have produced or received that relate to the contract to the appropriate Service Director.
- 31.5 Any contract must set out the consultants legal obligations to the Council. Further guidance on the use of consultants can be found on the Legal procurement pages of the Intranet at:

<http://intranet.north-herts.gov.uk/home/doing-business/procurement/procurement-guides>

32. Project Details

- 32.1 For consultant appointments £10,000, the Service Director shall be responsible for ensuring that the consultant's work is properly monitored on an ongoing basis. This includes:
- a) appointing a named project officer or group; and
 - b) specifying key tasks and dates for consultants; and
 - c) monitoring costs against budgets; and
 - d) arranging regular progress meetings with consultants.
- 32.2 The project officer shall report immediately to the Service Director any material technical or financial deviation by the consultant from the specified agreement.
- 32.3 The project officer shall provide a Projects Details report to the appropriate Service Director which:
- a) identifies the project objectives; and
 - b) documents the reasons for the employment of consultants including the benefits of employing consultants against in-house staff or agency staff; and
 - c) documents the residual in-house costs to support the consultant and ensure that sufficient budget is available to meet all identified costs; and
 - d) includes a project brief, detailing:
 - (i) background; and
 - (ii) objectives; and
 - (iii) timetable; and
 - (iv) costs; and
 - (v) monitoring arrangements; and
 - (vi) documentation standards; and
 - (vii) contact names and numbers for enquiries.
- 32.4 For consultancy appointments over £10,000, at the end of the appointment, an assessment of the consultant's performance should be carried out. This assessment should be documented in the Consultant's Performance Appraisal form and Lessons Learnt Log. Copies of these completed forms should be sent to the relevant stakeholders, with copies to the Procurement Officer.
- 32.5 The Procurement Officer in conjunction with the Contract Procurement Group (CPG) will review the lessons learned and recommend if any should be entered into the Corporate Lessons Learnt Log

Further information can be found:

<http://intranet.north-herts.gov.uk/home/finance-and-procurement/corporate-governance/project-management/project-management-overview>

[Templates for the Performance Appraisal form and Lessons Learnt Log can be found here:](#)

<http://intranet.north-herts.gov.uk/home/doing-business/procurement/procurement-guides>

Part I Land Transactions

33. Land Transactions

- 33.1 These Rules shall apply to purchases and sales of property and land and to leases for a fixed term of more than twenty years.
- 33.2 All valuations and negotiations in respect of transactions shall be carried out by or under the supervision of a properly qualified Member of the Royal Institution of Chartered Surveyors or equivalent. **In no circumstances shall Members of the Council conduct them.**
- 33.3 These Rules apply to all valuations of land carried out by a qualified and independent Chartered Surveyor appointed to act on behalf of, or to advise, the Council.
- 33.4 At least two officers of the Council or an officer of the Council and a duly appointed Chartered Surveyor or other agent shall be involved in all negotiations relating to land transactions which engage Section 14 of the Council Constitution (Scheme of Delegation) and any other applicable Section with Terms of Reference for a relevant Committee. .
- 33.5 It shall be the duty of the Council's Chartered Surveyor whether employed or appointed to report on any transaction authorised by the Council to the relevant Committee or Group at appropriate times. Which Committee or Group depends on the particular transaction and the authorisation for that transaction. Please contact Legal for advice.
- 33.6 All valuations prepared for the purpose of a transaction or balance sheet estimate shall be supported by evidence of the values of comparable properties in the locality where information and relevant comparators are available.
- 33.7 No property or land owned or leased by the Council shall be disposed of to a third party until it has been established that no other directorates of the Council have a need for the property or land, and that the current service area confirms no other requirement for the site.
- 33.8 No property or land owned or leased by the Council, other than land held for investment purposes or previously declared surplus to requirements shall be disposed of until a report has been prepared by the Service Director: Resources and presented to Cabinet containing:
- a) a description of the property or land, its title, physical characteristics and development constraints; and
 - b) any information from the Council's records or those of statutory undertakers which would affect the property or land's value or development potential; and
 - c) an assessment of the development potential of the property or land; and
 - d) evidence that the property or land has been offered to all directorates and that the Council has no operational use for the property or land; and
 - e) recommendations on the following:
 - (i) the title to be transferred; and
 - (ii) the method of disposal; and
 - (iii) whether negotiations must proceed with a special purchaser; and
 - (iv) the estimated price the Council may receive (in a Part 2 report)
 - f) In arriving at the recommendation, other factors that officers need to take into consideration are:
 - (i) issues that need to be resolved before marketing of the property or land can proceed; and
 - (ii) whether legal and other costs must be recovered from the prospective purchaser and if so an estimate of their amount; and
 - (iii) whether the appointment of external advisors or agents is required

- 33.9 All disposals of property or land owned or leased by the Council shall be by one of the following methods: Private Treaty, Public Auction, Formal Tender, Informal Tender, statutory offer back to the former owner, or long lease. Costs of marketing and disposal will be charged to the receipt.
- 33.10 In the event that it is decided to dispose of property or land by way of a tender then so far as it is practicable the procedures laid down in the Rules shall apply, subject to a waiver under Rule 22 (Waivers) where it is not practicable to follow the procedures laid down in the Procurement Rules.
- 33.11 The authorisation required for a land transaction depends on its value and is set out within the Constitution. The following are able to authorise transactions, subject to the value set out in their terms of reference:-
- Service Director: Resources
 - Cabinet
 - Full Council.

Part J Other Information

34. Glossary of Terms

<u>Concession Contract</u>	A contract which allows a Contractor to exploit the works or services for financial gain whilst assuming the usual market risks.
<u>Concessions Directive</u>	Means Directive 2014/23/EU of the European Parliament and of the Council
<u>Dynamic Purchasing System</u>	Is a procedure available for contracts for works, services and goods commonly available on the market. It operates in a similar way to framework agreements but is processed and managed electronically.
<u>Framework Agreements</u>	<p>This is an agreement where the Procurement has been done in such a way as to allow other local authorities to join the contract for particular goods or services. Usually there is some form of “further competition” where we simply say what work or goods we want and the Framework Agreement contractors give us a quotation price for that work, but it might be that prices are fixed.</p> <p>There are many different sorts of these Framework Agreements and it is worth asking whether there is a Framework Agreement that might suit your requirements. Ask Legal for advice.</p>
<u>EU Threshold</u>	<p>These are updated bi-annually and the current figures can be found at</p> <p>http://www.ojeu.eu/usefullinks.aspx</p>
<u>Go Local Policy</u>	<p>The “go local” policy requires any officer seeking to acquire goods or services, for council use, with an aggregate contract value below £50,000, to first attempt to locate those goods, services or works from a supplier located within the North Herts District Council geographical area. The method of acquisition would be in accordance with the current NHDC Contracts and Procurement Rules. If the “go local” policy cannot be applied, because, for instance, there is no suitable supplier (for example, the procuring officer identifies that prices are too high) within the area, then policy would have been exhausted and considered not to be appropriate, and explained as such within the usual procurement process. The overarching principle of this policy would be that, for appropriate procurement, NHDC will aim to use local suppliers for the provision of goods, services and works, having full regard for the principles of “best consideration”.</p> <p>The Cabinet report detailing the Go Local policy can be found at the link below.</p> <p>http://intranet.north-herts.gov.uk/home/doing-business/procurement/procurement-guides</p>
<u>Invitation to Tender (ITT)</u>	The ITT is a document that details the goods or services we require in sufficient detail for the interested contractors to give us an accurate quotation of price and how they will meet our minimum expected service levels.

The ITT will also contain a Form of Contract that we will require the winning bidder to use. There are also a number of certificates that we require tenderers to return.

There is a standard ITT starting point which contains all of the legal requirements that you will need to complete with help from Legal. This will be tailored to suit your requirements.

OJEU

This stands for Official Journal of the European Union. It used to be a print journal but is now a website where local authorities throughout the EU publish details of their procurements to the public. Interested contractors can search the website and find details of contracts that they may want to tender for. If a procurement is over the EU Threshold it must be published on OJEU. Procurement will do this for you.

Prior Information Notice (PIN)

A published notice which advertises the procurement in advance. Use of a PIN allows timescales to be shortened. In some circumstances it can be used instead of a Contract Notice.

Price or Value

Price or value is the total cost or value of a contract, or transaction **net of any tax or incidental fees**. Note: a decision can be made up to the price or value as set out in these Rules or otherwise as set out in the Council Constitution, notwithstanding that additional tax (for example VAT/ SDLT)/ or fees (for example land registration) may then apply.

Social Value

The Public Services (Social Values) Act 2012 imposes an active duty on relevant contracting Authorities to consider the economic, environmental and social benefits that can be achieved through commissioning. It does so by requiring consideration of the following –

How to improve through procurement, the social, economic and environmental well being of the area served by the Contracting Authority and

How to undertake a procurement process with a view to securing that improvement.

You will need to consider Social Value for all procurements above the EU threshold for goods and Services.

Guidance on The Social Value Act and it's application and the Cabinet report can be found at the following location.

<http://intranet.north-herts.gov.uk/home/finance-and-procurement/procurement/general-procurement-guides>

Standard Selection Questionnaire (SSQ)

Used to shortlist bidders when there are likely to be large number of suppliers expressing an interest in the contract.

It works by splitting the procurement process into two stages. The first, the SSQ stage involves assessing the company's general competence as a contracting party to provide the services – but not the way that they would actually provide the services. This is done by assessing their financial standing, and other matters that do not relate to the quality of their services, just their ability to provide the service over the contract

lifetime which is assessed by the second stage, the ITT.
 The SSQ assessment is normally quicker and easier than the full assessment that would be carried out in the ITT and for this reason is useful. Where there is no SSQ, the ITT itself would ask these questions. There is a standard SSQ starting point which contains all of the legal requirements that you will need to complete with help from Legal. This will be tailored to suit your requirements.

35. Key Contacts

Legal	Service Director: Legal and Community Legal Commercial Team Manager Procurement Officer	Ext. 4370 Ext. 4578 Ext. 4284
Shared Internal Audit Services	Audit Manager	01438 845508
Committee Services	Democratic Services Manager Committee, Member and Scrutiny Services Mgr Committee, Member and Scrutiny Officers [x 2 tbc]	Ext TBC Ext. TBC
Finance/Financial Appraisals	Service Director: Resources Accountancy Manager	Ext. 4243 Ext. 4470
Insurance	HCC Insurance Manager	01438 843565
Risk	Controls, Risk & Performance Manager	Ext 4606
Health & Safety	Health & Safety Officer	Ext. 4600
Equalities/Environmental	Senior Policy Manager	Ext. 4835
Freedom of Information / Data Protection	Information & Records Mgr	Ext. 4563

**FINANCE, AUDIT AND RISK COMMITTEE
5 DECEMBER 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: DRAFT BUDGET 2020/21

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: *FINANCE AND IT*

COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

Subject to the final Local Government Finance Settlement, there is a high degree of certainty over the scale of the funding that the Council will receive in 2020/21. However the delay to a multi-year spending review and funding reforms means that there is very high uncertainty for 2021/22 onwards. The Council is therefore forced to take a prudent view, and plan its medium-term spending accordingly. Cabinet are asked to consider the draft budget for 2020/21 and the impact on Council Tax levels. Cabinet is also asked to consider their approach to setting a balanced budget for 2021/22 onwards.

2. RECOMMENDATIONS

- 2.1. That Cabinet note the funding forecasts for 2020/21 onwards, and that (especially significant for 2021/22) these will be subject to change.
- 2.2. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget.
- 2.3. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget.
- 2.4. That Cabinet note the risk in relation to the timing of capital receipts and that this might result in a need to borrow for capital purposes, which would result in additional revenue costs to those already reflected.
- 2.5. That Cabinet confirm that Council Tax increases for 2020/21 will be in line with the Medium Term Financial Strategy (i.e. the maximum amount allowed without the need for a local referendum).
- 2.6. That Cabinet approve that the funding surplus in 2020/21 be transferred to a funding equalisation reserve. This reserve will then be released in future years to help balance the budget.

- 2.7. That Cabinet note the need to start budget planning for 2021/22 (and beyond) early in the new financial year (2020/21), and comment on the proposed process.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all relevant factors are taken in to consideration when arriving at a proposed budget for 2020/21, to be considered by Full Council on 6 February 2020.
- 3.2. To ensure that the medium term impacts of decisions are considered, and how a balanced budget will be set for future years.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. During the autumn, political groups were asked for savings ideas (including efficiencies, income generation and service changes) that they wanted Officers to investigate further. This was combined with savings ideas generated by Officers.
- 4.2. The investments are a combination of cost pressures to deliver existing services and new spend that is linked to the delivery of priorities identified within the Council Plan.
- 4.3. As detailed within the body of the report, there is a need for Cabinet and Council to consider how (based on current funding forecasts) it will deliver a balanced budget in the medium term. Therefore all savings should be taken forward and discretionary investments should be reviewed.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops. The comments from these workshops are provided as Appendix B.
- 5.2. This report is the first draft of the budget and a further report to Cabinet will follow in January. Both of these reports will also be considered by the Finance, Audit and Risk (FAR) Committee.
- 5.3. Business Rate Payers will be consulted on the proposals within the January report. This is the only statutory consultation that is required. It is intended that this consultation will be via the website/ e-mail, as previous consultation events have not been very well attended.
- 5.4. If any saving proposal had a particular impact on a specific area (or areas) then it would be referred to the relevant Area Committee(s). However it is considered that this does not apply to any of the savings included.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on setting a draft budget which is a key Executive decision that was first notified to the public in the Forward Plan on the 1 July 2019. The budget for 2020/21 will need to be approved by Full Council in February.

7. BACKGROUND

- 7.1. The Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Full Council in September following recommendation by Cabinet. The Council Plan was recommended by Cabinet in October, and was due to be considered by Full Council on 21 November 2019.
- 7.2. A verbal update was provided by the Executive Member for Finance and IT when the MTFS was presented to Full Council. This reflected the outcomes of the Spending Review, which was announced by the Chancellor on 4 September 2019. The key components of this announcement were:
- Negative Revenue Support Grant (RSG) would not be applied in 2020/21, which maintains the Councils funding at a level that is £1m higher than what was forecast.
 - The Business Rate baseline would continue to be increased in line with inflation.
 - Legacy New Homes Bonus payments would be honoured but would be reviewed for future years.
 - Referendum principles in relation to Council Tax would be set at 2%.
- 7.3. On 3 October 2019, the Ministry for Housing, Communities and Local Government launched a technical consultation on the Local Government finance settlement for 2020/21. This consultation closed on 31 October 2019. The consultation results will feed in to the provisional and final Local Government funding settlements. The timing of the provisional settlement is unknown, but it would be optimistic to think that it would be soon after the General Election. However the technical consultation provided the following indications of funding for 2020/21:
- It is likely that the referendum limit will be set at 2% or £5 for District Councils.
 - New Homes bonus would be paid in 2020/21 for one year only. Legacy payments would continue to be honoured.
- 7.4. For 2019/20, the Council is part of a Hertfordshire Business Rate Pilot. This is still expected to generate significant additional income for the Council, but it is for one year only and is subject to any volatility in Business Rates income across the County. 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 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. RELEVANT CONSIDERATIONS

General and specific funding

8.1. Based on the positions described in section 7, the following assumptions are made in relation to funding for 2020/21 onwards:

- The Business Rates Baseline will continue to increase by inflation, but will be subject to a cut of £1.1m (also increasing by inflation each year) from 2021/22 onwards. This is equivalent to the expected negative RSG, but is actually likely to take the form of a cut to the Councils assessed need through the new funding formula.
- It is assumed that the Council will continue to collect Business Rates such that the net amount it retains is in line with the Business Rates baseline. There is a risk that funding from this source could be lower than this (although would be subject to a safety net) or could be higher (although only for a period of time that will depend on the frequency of resets).
- New Homes Bonus funding will be received as follows. In 2020/21, the Council will receive 4 years of payments relating to 2020/21, 2019/20 2018/19 and 2017/18. For 2021/22, the Council will receive 2 years of payments, 2019/20 and 2018/19. For 2022/23, the Council will receive 1 year of payments, 2019/20. From 2023/24, there will be no New Homes Bonus received.
- Whilst there should be a replacement for New Homes Bonus (as funding was a top-slice from Revenue Support Grant when it was created) it is unknown what this will be. Given the uncertainty over any bonus payment as a funding source, the Council should aim for it not to be used for base funding (i.e. only for short-term investment funding).
- Council Tax can be increased by £5 per year (band D equivalent). There is a risk that the referendum limit could be set lower (e.g. 2%).

8.2. The following assumptions are also made:

- The Council Tax base will increase by 1% each year. Subject to the adoption of the Local Plan and increased certainty over housing demand, it is likely that growth could be greater than 1% in later years. However the timing of this is unknown and higher levels of growth may create off-setting cost pressures.
- In 2019/20 (as a result of the first delay to the implementation of negative RSG), the Council budgeted a surplus of funding over net expenditure. This was on the basis of the expected decline in future funding and the need to maximise Council Tax income in the medium term. This surplus was put in to a 'funding equalisation reserve'. It was intended that this would be released in 2020/21. Given current forecasts it is actually expected that these will actually be added to in 2020/21 and released in future years.
- Previous pooling gains of £368k are being held in a revenue reserve. It has previously been stated that these will be released to the General Fund as part of the 2020/21 budget.

- 8.3. This gives the following forecasts of funding for 2020/21 onwards. Forecasts are shown for 4 years on the basis that the Council should be balancing net expenditure and funding within the medium-term:

Table 1- Estimated general funding

£000 Funding	2020/21	2021/22	2022/23	2023/24
Council Tax	11,755	12,125	12,501	12,884
Negative RSG (or equivalent)	0	(1,136)	(1,170)	(1,205)
Business Rates baseline	2,763	2,846	2,931	3,019
New Homes Bonus	850	350	131	0
Council Tax support to Parishes	(39)	(24)	(24)	(24)
Funding equalisation reserve	68	0	0	0
Release of pooling gains held in reserve	368	0	0	0
	15,765	14,161	14,369	14,674

- 8.4. **In recommendation 2.1, Cabinet is asked to note the funding forecasts for 2020/21 onwards, and that (especially significant for 2021/22) these will be subject to change.**
- 8.5. The Council still receives some funding from specific grants. These grants are held in the services that they relate to, and are usually matched by expenditure. There is a risk that specific grant funding will be reduced, which will either require a reduction in the corresponding expenditure or create a pressure that has to be met from general funding. Announcements on specific grant amounts are often made in December/January, so an update will be provided as part of the report in January.

Revenue Savings and Investment proposals

- 8.6. The MTFs highlighted a need to make £900k of net savings (efficiencies, income generation and service changes) over a 4 year period i.e. by the end of 2023/24. Whilst the funding situation for 2020/21 has significantly improved, the medium-term position is actually worse due to the reduction in the New Homes Bonus forecast.
- 8.7. The revenue savings and investment proposals were presented to Political Group workshops in early November. The comments made by the two Groups (i.e. Labour and Co-operative/ Liberal Democrat Joint Administration and Conservative) are shown in Appendix B. The full list of revenue savings and investments is attached as Appendix A. This full list includes the impact of previous decisions, such as previous budget decisions made by Full Council and the ongoing impact of budget variances that have been reported to Cabinet since the 2019/20 budget was set. It also shows the initial position as presented at the workshops (see 8.10 below)
- 8.8. As well as the specific comments, the Conservative Group also wanted to highlight a general concern over the level of new ongoing spend being created when there is a need to save money to balance the medium-term budget.
- 8.9. The savings against E6 are shown as TBC as they are dependent on the capital investment being agreed and are subject to specific acquisitions, which will depend on the properties available. The financing costs (interest and minimum revenue provision) against R27 are also shown as TBC. The prudent assumption is that undertaking property investment would put the Council in a net position where borrowing would be required. However any borrowing would be for the wider capital programme and not directly related to property acquisitions. However it will be a requirement that any property acquisition will provide a return that both exceeds the notional cost of funding from borrowing and compensates for the risk involved. If the capital amount is agreed, then when properties are acquired it will be possible to incorporate net returns in to the budget. At the moment incorporating both sides as TBC is a prudent net-zero position.
- 8.10. At the Joint Administration workshop additional items were added, i.e. R29 to R32 on the final page Appendix B. The Conservative Group have not had an opportunity to comment on these proposals.
- 8.11. The Joint Administration has held meetings since the budget workshop to try to reduce the level of investments and therefore ongoing spend. The comments in Appendix B reflect the combined discussions across these meetings. The numbers presented in Appendix B reflect the changes made by the Joint Administration (as the draft budget belongs to the Administration) during this process.
- 8.12. The net position of the new savings and investments is shown in the table below. As line R10 is time limited (£40k ceases after 2024/25) the net ongoing impact is an increase in annual spend of £170k. This is against the target in the MTFs of a net reduction of £900k. Cabinet should note this in considering recommendation 2 below. It should also be noted that the Quarter 2 Revenue Monitor report that is also being considered at this meeting identifies a further ongoing pressure of £46k.

Table 2- New savings and investments (amounts are cumulative impacts on annual budget)- from Appendix B

£000	2020/21	2021/22	2022/23	2023/24
New savings	(642)	(440)	(379)	(353)
New investments	758	749	608	548
New net investments (increased spend)	116	309	229	195
Net change year on year	116	193	(80)	(34)

- 8.13. In recommendation 2.2, Cabinet is asked to note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget.**

Capital Programme and Funding

- 8.14 This version of the budget does not include the full capital budget, which will be part of the Investment Strategy that will be presented to Cabinet in January for recommendation on to Full Council in February.
- 8.15 The capital budget proposals that were presented for discussion at the Political Group workshops are attached as Appendix C. This includes all capital projects that have budgeted spend in 2020/21 or beyond. It also includes an estimate of spend over the years 2025-30. It does not include any projects that have been reprogrammed from 2019/20 in the Quarter 2 Investment Strategy monitor (also being considered at this meeting).
- 8.16 Funding for capital comes from separate sources to revenue. Over a number of years the Council has been able to use the receipts it received from the housing stock transfer to North Herts Homes in 2003. This has been supplemented by capital receipts from the sale of surplus land. The Council has also received capital grants and can make use of s106 funding for eligible schemes. The budget workshops were provided with a summary of the estimated future capital funding position. This was made up of the capital spend detailed in Appendix C, less any funding from grants, revenue contributions and s106. This was compared against current capital receipts balances and forecast additions (i.e. further sales of surplus land and buildings) in future years. This shows that over the 10 year period the capital programme (excluding property investment acquisitions, see 8.9 above) can be afforded without a need to borrow. However it does show that in the early years this will be very dependent on the timing of capital receipts. This might require some short-term borrowing for capital, which is allowable but would come with additional revenue costs.

8.17 There were no comments against the majority of items in the capital programme. The items that did have comments are detailed in table 3 below:

Table 3- Comments against capital proposals

Brief Description of proposal	Total investment (2020/21 to 2024/25) £m	Joint Administration comment	Conservative Group comment
Acquisition of property investments	20	Need to see acquisition strategy	Need to see acquisition strategy
Museum Storage Solution	1.2	Consider building more storage than needed and letting some out. Being looked at and will be updated by January.	
Refurbishment and improvement of community facilities	0.12	If there is a carry-forward of existing budget, programme the spend so it is over 4 years rather than 1.	
John Barker Place	1.1		Need updated development agreement to ensure getting value for money
Northern Transfer Station	1.6		Amend description to make it clear that NHDC will only pay for items that it is responsible for (i.e. depot/ recycled waste transfer)
Flume at North Herts Leisure Centre	0.15		Carry out usage analysis before replacing
General	n/a		Very tight on capital funding at the end of 2020/21

8.18 In recommendation 2.3, Cabinet is asked to note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget.

8.19 In recommendation 2.4, Cabinet is asked to note the risk in relation to the timing of capital receipts and that this might result in a need to borrow for capital purposes, which would result in additional revenue costs to those already reflected.

Summary position

8.20 The table below forecasts the net revenue spend for the next four years. This builds in assumptions around inflation on pay, general expenditure and income. There are two significant uncertainties in the short term, which are pay inflation and pension costs. Pay inflation is assumed at 2% per year but this will be dependent on the results of national pay bargaining. The settlement of this may not be reached until some point during 2020/21, and could be in excess of 2%. Pension costs are revalued on a triennial basis with the results of the latest review expected soon, based on the position

as at 31st March 2019. It is expected that the percentage contribution rate for current service will remain unchanged. However it is possible that there will be an inflationary increase in the lump sum contribution that the Council is required to make for past service costs (i.e. the costs of pensions accrued in the past). The assumption in the estimates in table 4 is however that the annual lump sum requirement will remain unchanged at £1.006million.

Table 4- Forecast net revenue spend and funding

£000	2020/21	2021/22	2022/23	2023/24
Net expenditure brought forward	14,627	14,702	15,177	15,496
Net new investments (table 2)	116	193	(80)	(34)
Others savings and investments (previous decisions)	(289)	(32)	79	4
Estimated changes in costs of existing staffing	237	250	250	250
Current forecast changes in pension contribution rates	0	0	0	0
Net general expenditure and income inflation	11	64	70	55
Net expenditure carried forward	14,702	15,177	15,496	15,771
Estimated Funding	15,765	14,161	14,369	14,674
Funding shortfall to be met	(1,063)	1,016	1,127	1,097

- 8.21 The table above demonstrates that, whilst the funding position in 2020/21 is forecast to be a net surplus, based on assumptions for future years this will swap to being a significant deficit from 2021/22 onwards. The Council is therefore justified in increasing Council Tax by the maximum amount allowed without the need for a local referendum. This is expected to be a £5 increase (band D equivalent).
- 8.22 In recommendation 2.5, Cabinet as asked to confirm that Council Tax increases for 2020/21 will be in line with the Medium Term Financial Strategy (i.e. the maximum amount allowed without the need for a local referendum).**
- 8.23 Table 4 shows that incorporating all the proposed savings and investments (as table 2) creates a budget surplus in 2020/21, and is therefore a legitimate budget for that year. This budget surplus is partly created by the transfer of the pooling gains that are currently being held in a specific earmarked reserve.
- 8.24 In recommendation 2.6, Cabinet are asked to approve that the funding surplus in 2020/21 be transferred to a funding equalisation reserve. This reserve will then be released in future years to help balance the budget.**
- 8.25 Whilst the funding shortfall in 2021/22 onwards is primarily caused by reductions in funding, the proposed investments in Appendix A do limit the extent to which progress has been made in addressing this shortfall. Based on current forecasts the Council will need to reduce its net annual expenditure by £1.1m. 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 that are needed to be delivered would then be £400k in 2021/22, a further £400k in 2022/23 and another £300k 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 investment 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. As a result of the time it can take to implement savings, there is a need for Cabinet to start budget planning early in the new financial year. As the opportunity for any further efficiencies is expected to be very limited, it is proposed that 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.

8.24 In recommendation 2.7, Cabinet are asked to note the need to start budget planning for 2021/22 (and beyond) early in the new financial year (2020/21), and comment on the proposed process.

9. LEGAL IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

- 10.1 These are covered in the body of the report.

11. RISK IMPLICATIONS

- 11.1 The funding risks are highlighted in section 8. The next iteration of this report will be presented to Cabinet in January, and this version will include a full review of the adequacy of estimates that have been made and of reserve balances. This includes a view from the Service Director- Resources (as the Council's Chief Finance Officer) of the minimum level of General Fund reserves. The margin between actual and the minimum General Fund reserve levels provides a proxy for the level of financial risk that the Council faces, and its ability to deal with changes.
- 11.2 Managing the Council's Finances is a Corporate Risk.

12. EQUALITIES IMPLICATIONS

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

15. APPENDICES

- 15.1. *Appendix A- Full list of Revenue Savings and Investments*
- 15.2. *Appendix B- Comments on new Revenue proposals from budget workshops*
- 15.3. *Appendix C- Full proposed Capital Programme*

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1. *Medium Term Financial Strategy- Council, 12 September 2019*

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New Efficiency Proposals for 2020/21 and beyond

Service Directorate	Description of Proposal	Net Efficiency			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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.	(16)	(16)	(16)	(16)
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.	(43)	(43)	(43)	(43)
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.	(64)	(64)	(64)	(64)
Place	Reduction in business rates expenditure following Government announcement of intention to allow Rate Relief on Public Conveniences from 1 April 2020	(11)	(11)	(11)	(11)
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.	(107)	(107)	(107)	(107)
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.	TBC	TBC	TBC	TBC
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.	(5)	(5)	(5)	(5)
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.	(70)	(70)	(70)	(70)
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.	(6)	(6)	(6)	(6)
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.	(20)	(20)	(20)	(20)
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.	(156)	(87)	(26)	-
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.	(133)	-	-	-
Total Net Budget Reduction from new efficiency proposals		(631)	(429)	(368)	(342)

New Revenue Pressures and Investment Proposals

Service Directorate	Description of Proposal	Investment			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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.	164	164	164	164
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).	4	-	-	-
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.	20	20	20	20
Commercial	Appointment of external consultants to deal with the Arbitration of DCO ground rent.	4	-	-	-
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.	35	-	-	-
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.	21	-	-	-
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.	37	37	37	37
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.	34	34	34	34
Regulatory	The undertaking of any Conservation Area Reviews or other recommended additional work following the outputs from the Conservation Area Character Statement work. Many of the District's Conservation Area boundaries have not been reviewed for 20-30 years (or more) despite a statutory duty to do so. It is proposed that £40,000 is then also required for 2021/22 and 2022/23.	40	40	40	-
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.	40	40	40	40
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.	40	40	-	-
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.	40	40	40	-
Regulatory	Additional investment required for any subsequent / replacement Local Plan to the one currently being examined. This maybe an NHDC plan or wider Hertfordshire strategic plan or combination.	50	50	50	50

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.	64	64	64	64
Regulatory	Integration of a permanent full time Economic Development Officer post within the Council's staffing establishment. This role is currently shared with East Herts for a fixed term (so there is currently no ongoing budget).	53	53	53	53
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.	26	26	26	26
Resources	Purchase and maintenance of software that will assist in the implementation the Council's Gender Pay Gap Action Plan.	3	2	2	2
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.	-	2	-	2
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.	70	70	70	70
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.	7	7	7	7
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.	2	-	-	-
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.	32	32	32	32
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.	50	100	50	-
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.	10	10	10	10
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.	-	2	3	3
Legal & Community	Additional Community Engagement Officer post. Facilitation of county wide crowdfunding platform, volunteer programme, governance and youth council/greater youth civic engagement, additional town talks and community engagement events, support of Co-operative Network council network and additional cabinet panels under the new Council Priorities 2020-2025	31	31	31	31
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 Commercial investment	TBC	TBC	TBC	TBC

Legal & Community	Reverse reduction in Area Committee Grants so that maintained at £42k per year. See PE5.	8	15	20	24
Total Net Budget Increase from new pressures and investment proposals		885	879	793	669

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

Service Directorate	Description of Proposal	Efficiency			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Customers	Restructure of Revenues team. The use of technology means that the service can absorb these changes with no impact on service delivery.	(6)	(6)	(6)	(6)
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.	(5)	(5)	(5)	(5)
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.	(50)	(100)	(100)	(100)
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.	(9)	(11)	(11)	(11)
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	(8)	(15)	(20)	(24)
Legal & Community	Removal of budget provision for District Council elections in 2021/22 as no elections scheduled to be held.	-	(89)	-	-
Total Net Budget Reduction from earmarked efficiencies		(78)	(226)	(142)	(146)

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

Service Directorate	Description of Proposal	Investment			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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).	20	-	-	-
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	8	-	8	-
Total Net Budget Increase from earmarked investments		28	-	8	-

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

Service Directorate	Description of Saving	Saving			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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.	(88)	(88)	(88)	(88)
Commercial	Ongoing impact of commercial rent uplifts agreed in the quarter (included within the 'other minor variances' total in table 3)	(17)	(17)	(17)	(17)
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).	(10)	(10)	(10)	(10)
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).	(13)	(13)	(13)	(13)
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).	(10)	(10)	(10)	(10)
-	Staff costs. Annual saving in employee costs from the two voluntary redundancies agreed by Full Council in February 2019.	(107)	(107)	(107)	(107)
-	Net total of minor permanent budget adjustments requested at quarter 1 ('other minor variances' total at Q1)	(33)	(33)	(33)	(33)
Total Savings incorporated since 2019/20 budget agreed in February 2019		(278)	(278)	(278)	(278)

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

Service Directorate	Description of Pressure	Pressure			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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).	8	8	8	8
-	Net total of minor permanent budget adjustments requested at quarter 3 2018/19 (included in 'other minor variances' total at Q3)	5	5	5	5
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.	26	26	26	26
-	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.	10	10	10	10
Total Net Budget Increase		49	49	49	49

Previously agreed changes, including updates to amounts

Proposed revised amounts in yellow

Service Directorate	Description	Pressure / Saving			
		2020/21	2021/22	2022/23	2023/24
		£'000	£'000	£'000	£'000
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)	-	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	(1)	(2)	(3)	(5)
	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)	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.	(12)	4	(12)	4
Total Net Budget Impact		(10)	134	121	137

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New Efficiency Proposals for 2020/21 and beyond (Comments from Budget Workshops)

Blanks imply no specific comment and therefore general consent

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			2020/21	2021/22	2022/23	2023/24		
			£'000	£'000	£'000	£'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.	(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.	(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 around Easter 2020 . The amount has been increased since the budget workshops to reflect the inclusion of the building at the rear of the Document Centre, which is also part of the land sale.	(68)	(68)	(68)	(68)	Query over the expected timing of the sale of the site. Now expected to be Easter 2020 so the description has been updated to reflect this.	
E4	Place	Reduction in business rates expenditure following Government announcement of intention to allow Rate Relief on Public Conveniences from 1 April 2020	(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.	(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.	-	TBC	TBC	TBC	Given the timing of acquisitions likely to be zero savings in 2020/21. Updated to reflect this (changed from TBC to 0), although TBC also calculates as zero savings.	Need details of Strategy
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.	(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.	(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.	(6)	(6)	(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. The total is made up of £48k income from letting the second floor and £22k saving from the relocation of Careline in to the DCO.	(20)	(20)	(20)	(20)	Query over what the total saving relates to. Description updated to reflect £48k income from letting of 2nd floor and £22k saving from relocating Careline in to DCO (from Harkness Court).	

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		
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.	(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.	(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.	(3)	(3)	(3)	(3)	NEW PROPOSAL from Administration following the workshop so added in	N/a- identified after the budget workshops
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.	(4)	(4)	(4)	(4)	N/a- identified after the budget workshops	N/a- identified after the budget workshops
Total Net Budget Reduction from new efficiency proposals			(642)	(440)	(379)	(353)		

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			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.	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).	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.	20	20	20	20		
R4	Commercial	Appointment of external consultants to deal with the Arbitration of DCO ground rent.	4	-	-	-		

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		
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.	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.	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.	37	37	37	37		Reservations about creation of posts for non-statutory functions when trying to save money.
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.	34	34	34	34		Reservations about creation of posts for non-statutory functions when trying to save money.
R9	Regulatory	The undertaking of any Conservation Area Reviews or other recommended additional work following the outputs from the Conservation Area Character Statement work. Many of the District's Conservation Area boundaries have not been reviewed for 20-30 years (or more) despite a statutory duty to do so. It is proposed that £40,000 is then also required for 2021/22 and 2022/23.	-	-	-	-	To be funded from Reserves. Updated to remove £40k per year from 2020/21, 2021/22 and 2022/23.	
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.	-	40	40	40	Confirmed that for 4 years only. Now to be 4 years from 2021/22 rather than 2020/21.	
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.	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.	20	20	20	-	Reduce to £20k per year (was £40k per year)	Reservations about expenditure on non-statutory functions when trying to save money.
R13	Regulatory	Additional investment required for any subsequent / replacement Local Plan to the one currently being examined. This maybe an NHDC plan or wider Hertfordshire strategic plan or combination.	-	-	-	-	Delete this proposal. Work by the Growth Board will determine whether this will be a pressure/ priority in the future. Was £50k per year ongoing.	
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.	64	64	64	64		
R15	Regulatory	Integration of a permanent full time Economic Development Officer post within the Council's staffing establishment. This role is currently shared with East Herts for a fixed term (so there is currently no ongoing budget).	26	26	-	-	Subject to agreement with East Herts, to continue the shared post for 2 more years. Reduce the pressure to £26k in 2020/21 and 2021/22 (previously £53k per year ongoing).	
R16	Regulatory	Creation of a part-time (0.5FTE) resource to allow the Environmental Health team to concentrate on air quality matters and emerging Climate Change Strategies.	26	26	26	26	Query over the exact details of what was proposed. Description amended to make it clear that relates to Air Quality and Climate Change.	Reservations about creation of posts for non-statutory functions when trying to save money.

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		
R17	Resources	Purchase and maintenance of software that will assist in the implementation the Council's Gender Pay Gap Action Plan.	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.	-	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.	47	70	70	70	Amount in first year will be part-year as subscription period runs from August, so amount amended from £70k to £47k. Query over amounts and how they were calculated. Confirmed that they are a prudent (high) estimate of level of take-up of concessionary rates, but there are likely to be administration costs (up-front and ongoing) as well, which are yet to be determined.	
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. UPDATE: Current number of subscribers is now over 9,000.	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.	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. UPDATE ON IMPACT TO DATE: Facebook engagement has increased substantially in the first 6 months since appointed. Added over 1,000 fans (314 in six months before appointment), published 584 posts (compared with 392), reached 929,000 users (compared with 501,000), created nearly 15,000 engagements (i.e reactions, comments and shares; compared with 6,700) and almost doubled the number of shared posts (2,175 compared with 1,101).	32	32	-	-	To continue current temporary arrangement for 2 more years only (2020/21 and 2021/22). Previously had been £32k per year ongoing.	
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.	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.	10	10	10	10		Reservations about non-statutory expenditure when trying to save money.
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.	-	2	3	3		

Ref No	Service Directorate	Description of Proposal	Amount				Joint Administration Comments- at Budget workshop and subsequent meetings	Conservative Group comments- at Budget workshop
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000		
R26	Legal & Community	Additional Community Engagement Officer post. Facilitation of county wide crowdfunding platform, volunteer programme, governance and youth council/greater youth civic engagement, additional town talks and community engagement events, support of Co-operative Network council network and additional cabinet panels under the new Council Priorities 2020-2025	31	31	31	31		Reservations about creation of posts for non-statutory functions when trying to save money.
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 Commercial investment	TBC	TBC	TBC	TBC		
R28	Legal & Community	Reverse reduction in Area Committee Grants so that maintained at £42k per year. See PE5.	8	15	20	24		
R29	Commercial	Specialist advice in relation to Co-operative Economic Development	10				NEW PROPOSAL from Administration workshop so added in	N/a- identified at the Joint Adminsitration budget workshop
R30	Legal & Community	Provide inflationary increase (2%) for MOUs with CVS and Citizens Advice North Herts	3	7	10	14	NEW PROPOSAL from Administration workshop so added in	N/a- identified at the Joint Adminsitration budget workshop
R31	Legal & Community	Provide one-off funding to Citizens Advice North Herts	50	-	-	-	NEW PROPOSAL from Administration workshop so added in	N/a- identified at the Joint Adminsitration budget workshop
R32	Legal & Community	Central pot for Area Committee Grants	10	-	-	-	NEW PROPOSAL from Administration workshop so added in. One year only to see how it works and assess priorities next year.	N/a- identified at the Joint Adminsitration budget workshop
Total Net Budget Increase from new pressures and investment proposals			758	749	608	548		

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Ref No	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	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.
NCP48	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	Service Director - Commercialisation	Acquisition of Property Investments	20,000	-	4,000	4,000	4,000	4,000	4,000	0	tbc	Acquisition of property and investments in line with the Commercial Strategy and the Property Investment Strategy to seek revenue and/or capital returns and growth for NHDC.	
Sub-Total: Asset Management and Investment			20,751	-	4,496	4,255	4,000	4,000	4,000	-	-	5	
Grants to Third Parties													
ECP1	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. 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)	

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP7	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	Service Director - Commercialisation	Refurbishment and improvement of community facilities	120	-	120	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			1,816	270	1,276	60	60	60	60	300	-	
Parking Related Proposals												
ECP8	Service Director - Resources	Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	134	-	134	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.
NCP46	Service Director - Regulatory	Parking Charging, Payment and Management	235	-	235	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			369	-	369	-	-	-	-	-	-	
Waste Collection												
NCP49	Service Director - Place	Northern transfer station (Waste and Recycling)	1,600	-	0	0	0	0	1600	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	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	4,000	3,200	0	0	0	0	0	4000	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.
Sub-Total: Waste Collection			5,600	3,200	-	-	-	-	1,600	4,000	-	

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Leisure Related Proposals												
ECP6	Service Director - Place	Leisure Condition Survey Enhancements	202	-	23	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	Service Director - Place	Royston Leisure Centre extension	1,000	170	0	0	1,000	0	0	0	tbc	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council. UPDATE CBP 20/21: Proposed to bring investment forward by one year from 2023/24 to instead earmark in 2022/23.
Sub-Total: Leisure			1,202	170	23	-	1,039	140	-	-	-	
New Leisure Proposals - Hitchin Swim Centre												
NCP6	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	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	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	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	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	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	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	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	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	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.

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NCP16	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.
NCP18	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.
NCP11	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.
NCP19	Service Director - Place	NHLC: Interactive Water Feature	120	-	0	120	0	0	0	0	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	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.
Sub-Total: Leisure - NH Leisure Centre			1,230	-	290	370	130	290	-	150	-	
New Leisure Proposals - Royston Leisure Centre												
NCP12	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	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP21	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.
NCP22	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 Development												
NCP29	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.
NCP30	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 Development												
ECP10	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	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	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	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	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.
NCP27	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	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	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	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. Railings £10k and Lighting £20k.
NCP40	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 Development													
ECP9	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.
NCP31	Service Director - Place	Howard Gardens Splashpad	33	-	0	0	33	0	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
NCP32	Service Director - Place	Ickneild Way Cemetery Footpaths	50	-	0	50	0	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	Service Director - Place	Wilbury Hills Cemetery Footpaths	70	-	10	10	0	10	10	30	0	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	Service Director - Place	Norton Common Footpaths	10	-	0	0	0	10	0	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			238	-	85	60	33	20	10	30	-	-	
Green Space Development													
NCP35	Service Director - Place	Newmarket Road Royston Skatepark and Access	60	-	0	0	0	60	0	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	Service Director - Commercialisation	Hitchin Town Hall Additional Bar and Glassware Infrastructure	25	-	25	0	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	Service Director - Commercialisation	North Herts Museum Platform Lift Solutions	40	-	40	0	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		£'000
NCP45	Service Director - Commercialisation	Museum Storage Solution	1,200	-	1000	200	0	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	Service Director - Customers	Back-up Diesel 40 KVA Generator (DCO)	25	-	0	0	0	25	0	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	Service Director - Customers	Additional Data Backup Storage	89	-	15	0	15	0	18	41	0	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	Service Director - Customers	CCTV at DCO & Hitchin Town Hall	30	-	15	0	0	15	0	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	Service Director - Customers	Data Switch Upgrade	74	-	0	0	15	0	18	41	0	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	Service Director - Customers	DR Hardware Refresh Inc UPS Battery Pk (Unit 3)	115	-	0	0	0	55	0	60	0	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	Service Director - Customers	Mobile Device Management software	36	-	18	0	0	0	18	0	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	Service Director - Customers	WiFi Upgrades for DCO and Hitchin Town Hall	35	-	35	0	0	0	0	0	0	0	To replace the current ageing equipment with newer and faster technology

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ECP2	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	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	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
ECP5	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	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	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	Service Director - Customers	Dell Servers	145	-	0	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	Service Director - Customers	New Blade Enclosure	92	-	0	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.

Ref No	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	
ECP24	Service Director - Customers	Replacement SAN	235	-	0	0	0	0	115	120	0	<p>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.</p> <p>UPDATE CBP 2020/21: Allocation for replacement hardware in 2024/25 and 2028/29.</p>
ECP25	Service Director - Customers	Core Backbone Switch	75	-	0	0	0	0	35	40	0	<p>Dual processor switch, which links the virtual servers to the SAN.</p> <p>UPDATE CBP 2020/21: Allocation for hardware renewal in 2024/25 and 2028/29.</p>
ECP26	Service Director - Customers	Additional Storage	58	-	0	0	13	0	0	45	0	<p>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.</p> <p>UPDATE CBP 2020/21: Allocation proposed in 2022/23, with £25k requested to be earmarked in 2025/26 and £20k in 2028/29</p>
ECP27	Service Director - Customers	Laptops - Refresh Programme	27	-	6	6	0	5	0	10	0	<p>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.</p> <p>UPDATE CBP 2020/21: Additional allocations proposed in 2021/22 and 2023/24 with £5k allocations requested in 2025/26 and 2027/28.</p>
ECP21	Service Director - Customers	Alternative to safeword tokens for staff/members working remotely	79	-	16	0	12	0	18	33	0	<p>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.</p> <p>UPDATE CBP 2020/21: Additional allocations proposed 2020/21, 2022/23, 2024/25 with £14k proposed in 26/27 and £19k in 2028/29</p>
ECP17	Service Director - Customers	Microsoft Enterprise Agreement	1,278	-	0	0	390	0	0	888	0	<p>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.</p> <p>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.</p>

Ref No	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	
ECP11	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	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			3,149	-	243	80	505	154	421	1,746	-	
TOTAL			39,915	3,927	7,907	5,525	6,287	5,099	6,686	8,411	-5	

TOTAL CONSISTS OF:												
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:	6,970	727	2,111	695	1,574	259	427	1,904	0			
NEW PROPOSALS IN THE 2020/21 PROCESS	32,945	3,200	5,796	4,830	4,713	4,840	6,259	6,507	-5			

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

**FINANCE, AUDIT AND RISK COMMITTEE
5 DECEMBER 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: SECOND QUARTER REVENUE MONITORING 2019/20

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for financial year 2019/20, as at the end of the second quarter. The forecast variance is a £360k decrease on the net working budget of £15.630million for 2019/20, with an ongoing impact in future years of a £46k increase and requests to carry forward budget totalling £142k to fund specific projects in 2020/21. Within these summary totals there are several budget areas with more significant variances, which are detailed and explained in table 3. The report also provides an update on;
- the progress with the delivery of planned efficiencies (paragraph 8.3)
 - the use of budget approved to be carried forward from 2018/19 (paragraph 8.5)
 - performance against the four key corporate 'financial health' indicators (paras 8.6-8.8)
 - the overall forecast funding position for the Council and factors that may affect this (paras 8.9 - 8.14)

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £360k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £188k increase in net expenditure. These will be incorporated in the draft revenue budget for 2020/21.
- 2.4. That Cabinet approves the write-off of the debtor invoice of £130,566.75 raised to CoinCo International PLC in January 2015, as explained in paragraph 8.3.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 6th September 2019.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2019/20 of £15.251million in February 2019. As at quarter 2 the working budget has increased to £15.630million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2019/20	15,251
Quarter 3 2018/19 Revenue Monitoring report – 2019/20 budget changes approved by Cabinet (March 2019)	25
2018/19 Revenue Outturn Report – 2019/20 budget changes approved by Cabinet (June 2019)	521
Quarter 1 2019/20 Revenue Monitoring report - 2019/20 variances approved by Cabinet (July 2019)	(239)
Playgrounds report - delaying the removal of play equipment from two playgrounds in Royston until the 31st March 2020 – additional expenditure approved by Cabinet (July 2019)	4
Waste Collection from Multi Occupancy Properties report – retention of weekly residual waste collection service – variation to contract approved by Cabinet (July 2019)	68
Current Working Budget	15,630

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate in 2019/20 and how this has changed from the allocations published in the quarter one monitoring report.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Working Budget at Q1	Changes approved at Q1	Cabinet reports July 2019	Other Budget Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Chief Executive	1,819	(74)	0	139	1,884
Commercialisation	(513)	(111)	0	17	(607)
Customers	3,565	(52)	0	15	3,528
Legal & Community	2,315	(20)	0	9	2,304
Place	4,811	(7)	72	(100)	4,776
Regulatory Services	1,212	38	0	(20)	1,230
Resources	2,588	(13)	0	(60)	2,515
TOTAL	15,797	(239)	72	0	15,630

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final column details if there is expected to be an impact on next year's (2020/21) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Corporate Apprenticeship Scheme	175	97	(78)	Forecast underspend reflects the timing in year of appointments to apprenticeship posts. There is permanent budget provision for 8 Apprentices of which 5 posts are currently filled. The remaining three vacant posts will be appointed to shortly. There have also been requests for several more apprentices to be recruited on 18 month contracts, the costs of these can be funded in this year and still result in the forecast variance. The carry forward requested will allow the costs in 2020/21 to be funded, and still allow the usual 8 posts to be recruited to as apprenticeships end.	78	0
Place Directorate Staff Costs – Greenspace Services	323	267	(56)	Underspend variance results from the implementation of a new staffing structure, approved by the Council's Leadership Team, designed to meet the changing demands placed upon the service.	0	(58)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Regulatory Directorate Staff Costs – Planning Services	1,978	1,903	(75)	Forecast underspend in this year is due to a combination of the lack of progress with the Local Plan and difficulties in recruiting staff to vacant posts.	0	0
Resources Directorate Staff Costs – Accountancy Services	282	251	(31)	Forecast underspend is due to staff absence during this year. Rather than recruiting temporary staffing resource externally, the reduction in capacity has been absorbed through a combination of a reorganisation of duties and internal secondment within the Directorate, and the use of flexi-time arrangements to manage peaks and troughs in workloads.	0	0
Payroll Contract expenditure	0	36	+36	One-off project implementation costs of £31k are anticipated following the tender of the payroll service contract, which has been awarded to Liberata for a period of 5 years from April 2020. In addition, costs of around £5k are expected to be charged by the current payroll provider for the requisite transfer of data.	0	0
District Elections expenditure	91	113	+22	The £22k overspend variance for this year's District Elections follows the overspend variance of £35k for the administration of the 2018 District Elections highlighted to Cabinet at Quarter One last year, where a similar number of Council seats were contested. The increase in the number of postal votes has resulted in higher postage costs, while the cost of polling station hire has also increased significantly over the last two years. It is therefore proposed to increase the earmarked budget allocation in future years where elections are scheduled by £25k.	0	25

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Hybrid Mail project implementation	305	270	(35)	Phase 2 of the Outbound Mail contract is fully operational with all Revenues & Benefits systems generated post being handled by the service. Phase 3 of the contract, covering other Service areas, will be live by March 2020. The cost of the contract has been met from both the corresponding saving in franked postage costs and the savings from the partial closure of the Document Centre, which this project facilitated. The ongoing impact of the outbound mail contract will be included in the Corporate Business Planning proposals for 2020/21.	0	0
Waste, Recycling and Street Cleansing Contract Expenditure	4,736	4,541	(195)	The contract includes unit prices where there will be variability in the need for those services (e.g. collection and delivery of bins, bulky waste collection, additional street cleansing). Due to the savings achieved through the core contract, this variation budget was set at a prudent level of around £750k. The anticipated volume of work outside of the core contract has however not materialised through the first eighteen months of the contract. It is therefore proposed to reduce the annual budget for these services ongoing. The amount in 2019/20 includes additional one-off costs such as the initial extension of the weekly residual waste collection from flats and an upgrade to the waste management software.	0	(277)
Weekly food collections from flats - government grant income	(84)	(33)	+51	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.	0	84
AFM Income from Hertfordshire County Council	(395)	(572)	(177)	Forecast outturn is the actual receipt received from Herts County Council in 2019/20 for recycling performance in 2018/19. The £572k total is £150k more than that received for the year prior and reflects the relative performance of the Council in reducing tonnages going to	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
				landfill. A proposal to adjust the ongoing AFM income expectation in the budget estimates will be presented within the budget setting process for 2020/21.		
Income from paper collected for recycling	(454)	(370)	+84	Forecast income shortfall is based on tonnages collected in the first half of the year and is indicative of the trend of declining volumes of paper presented for recycling apparent in recent years. An increase in the net cost of recycling due to a reduction in the volume of recyclates collected was identified as a financial risk when the budget for 2019/20 was approved in February.	0	84
Commercial Waste and Recycling services income	(1,093)	(1,056)	+37	Fewer customers for trade residual waste collection in 19/20 than the prior year has reduced the income expectation by £50k. This shortfall has however been partially offset by growth in demand for commercial recycling collections.	0	37
Splash park maintenance expenditure	78	108	+30	Multiple break downs across all 4 splash parks during the operational summer period, including a fire in the plant room at Howard Gardens, required unforeseen emergency maintenance and repairs to ensure they were operational over the summer period.	0	0
Parking Lines and Signs maintenance	89	25	(64)	Contractors have been appointed and works to parking lines in Royston have been completed. Parking lines in Baldock, Letchworth, Hitchin and Knebworth will be completed in this financial year. The signs for the off street car parks will be replaced next year in line with the review of the off street traffic regulation order which is in action from the adopted parking strategy. A carry forward of the unspent budget is therefore requested to fund these works.	64	0
Car Park season ticket income	(278)	(305)	(27)	Increase in income expectation reflects the current level of car park season ticket sales, which is similar to last year.	0	(27)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Income from Penalty Charge Notices	(352)	(393)	(41)	There is currently a full team of Civil Enforcement Officers, which has led to a greater number of traffic offences being identified and penalty notices issued.	0	(41)
Hitchin Town Hall Community Facility expenditure	288	212	(76)	Reduction in forecast expenditure is primarily linked to the café not opening until the start of Q2, hence reducing the associated staffing and supplies costs in quarter one. Revised forecast outturn also includes adjustments to supplies and services budgets based on the planned programme of events at the facility this year and the current level of bookings.	0	0
Income from Hitchin Town Hall Community Facility	(389)	(168)	+221	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, however it is not expected to meet the current budget in the medium-term.	0	192
Total of explained variances	5,012	4,714	(298)		142	19
Other minor balances	10,618	10,632	+14		0	27
Overall Total	15,630	15,346	(284)		142	46

8.2. Cabinet are asked approve the differences highlighted in the table above (a £360k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2020/21 budget (£188k decrease in budget which includes the request to carry forward £142k of budget from 2019/20 to 2020/21), which will be incorporated into the 2020/21 budget setting process (recommendation 2.3).

8.3. At the end of November 2014 CoinCo International Plc (CCI), who provided the cash collection service for the Council's parking ticket machines across the district, entered into administration while owing NHDC £130k. This amount represented approximately four weeks takings from the Council's car parks. CCI had been providing cash collection services to a number of charities and local authorities, with the Government Insolvency Service identifying a total sum outstanding to all cash in transit clients of at least £6.155 million. NHDC was one of four clients where the contract specifically stated that the funds collected were not the property of CCI and must be transferred within a specified number of days. CCI would then invoice for the agreed service charge. The four clients were owed a total of £5.758 million when CCI collapsed, with the largest amount due to Brighton and Hove City Council, who were owed

£3.243million. As highlighted in the Revenue Outturn report 2014/15, a debtor invoice was raised for the outstanding amount of £130k but it was decided to provide for the entire amount in the bad debt provision, as the likelihood of the Council receiving payment was considered very low. The Council's financial regulations specifies that debts can be written off where they have been raised correctly, have not been paid and it is determined that there is no prospect of collecting the amount owed. In accordance with the regulations, as this debt is more than £10k, cabinet is now asked to approve the write-off of the debtor invoice (recommendation 2.4). As the contribution from the General Fund to the bad debt provision to cover the full debt amount was made in 2014/15, the write off of this debt will not have an impact on the General Fund in 2019/20.

- 8.4. The original approved budget for 2019/20 (and therefore working budget) included efficiencies totalling £610k, which were agreed by Council in February 2019. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However there can be off-setting variances which mean that is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at quarter two is that all the efficiencies approved in February will be delivered.
- 8.5. The working budget for 2019/20 includes budgets totalling £689k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2018/19 but was delayed into 2019/20. At quarter three, it is forecast that a total of £74k of the budget carried forward will not be spent in the current financial year. This relates to:
- Parking lines and signs maintenance. The £64k budget carried forward will not be spent in this year, as highlighted and explained in table 3 above. The unspent budget is requested to be carried forward again into 2020/21.
 - Herts Warmer Homes Project. £10k of the £13k budget carried forward will not be spent this year. This is included in the other minor variances total in table 3. Council officers are working directly with providers to deliver the desired outcomes from the scheme. The costs of energy efficiency improvement installations will be met primarily from grant funding secured, with the balance funded from the Private Sector Grants project allocation, hence the carry forward budget is no longer required.
- 8.6. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the income to date and forecasts for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. Currently two of the indicators are green and two are amber.
- 8.7. The amber status for Land Charges income was reported at quarter one and is based on the actual income to date. Whilst the income budget may still be achieved from an increase in activity over the remainder of the year, there is a risk that the budgeted level of income may not be met.

- 8.8. The actual income to date for planning application fees is increased by the reversal in the current year of the £335k accounting adjustment posted at the end of 2018/19. Income receipts received in the first half of the year in respect of planning applications totalled £444k, which is slightly below the budget expectation. The amber status at quarter two therefore indicates the risk that the budgeted level of income may not be met. As in 2018/19, an accounting adjustment will be posted at the end of 2019/20 to ensure that the reported income total reflects only the income received from planning applications resolved in this financial year, in accordance with accounting policy. The accounting adjustment does not affect the cash the Council receives.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual income to date £k	Forecast income for the year	Projected Variance £k
Planning Application Fees (including fees for pre-application advice)	Amber	(950)	(779)	(950)	0
Land Charges	Amber	(164)	(70)	(164)	0
Car Parking Fees	Green	(1,809)	(940)	(1,897)	(88)
Parking Penalty Charge Notices	Green	(532)	(365)	(595)	(63)

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9. The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2019 of the amount of New Homes Bonus it could expect to receive in 2019/20 and planned accordingly.
- 8.10. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. At the end of the second quarter, it is forecast that there will be a small deficit on the Council Tax Collection Fund. With regards to Business Rates, while income collected in year is in line with original estimates, an overall deficit position is projected due to the adjustment for the final prior year outturn, as detailed and explained in the quarter one revenue monitoring report.
- 8.11. The actual gain from Hertfordshire being a Business Rate pilot in 2019/20 will be dependent on the overall Business Rates collected across Hertfordshire, as well as within North Hertfordshire. Monitoring of the expected gain is being coordinated by Hertfordshire County Council. These forecasts will be a guide only as Business Rate income can be subject to significant fluctuations, particularly across 10 billing authorities. Therefore the final position will not be known until after the end of the current year and hence after the 2020/21 budget has been set.

- 8.12. The Council also receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes in to our funds rather than the Collection Fund. In 2018/19 NHDC received grant totalling £1.435m and the current expectation for 2019/20 is £1.922m. We are holding the grant received in a reserve to fund the repayment of deficits recorded in future years. Some of the amount held in reserve will therefore be used in this year to fund the required contribution to the Collection Fund of £58k in respect of the position for 2018/19, as shown in table 5 below.
- 8.13. Table 5 below summarises the impact on the general fund balance of the position at quarter two detailed in this report.

Table 5 – General Fund impact

	Working Budget £k	Q2 Projected Outturn £k	Difference £k
Brought Forward balance (1st April 2019)	(7,862)	(7,862)	-
Net Expenditure	15,630	15,270	(360)
Funding (Council Tax, Business Rates, NHB)	(15,319)	(15,319)	0
Contribution to Funding Equalisation Reserve	68	68	0
Contribution to Collection Fund	58	58	0
Funding from Reserves (including Business Rate Relief Grant)	(58)	(58)	0
Carried Forward balance (31st March 2020)	(7,483)	(7,843)	(360)

- 8.14. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,203k, and by the end of quarter two a total of £101k has come to fruition. The identified risk realised in the second quarter relates to;

- Recycling services. Increase in net cost due to reduction in volume of paper recyclates collected, as highlighted in table 3. £84k

Table 6 – Known financial risks

	£'000
Original allowance for known financial risks	1,203
Known financial risks realised in Quarter 1	(17)
Known financial risks realised in Quarter 2	(84)
Remaining allowance for known financial risks	1,102

9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

- 15.1. None.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1. None.

**FINANCE, AUDIT AND RISK COMMITTEE
5 DECEMBER 2019**

PUBLIC DOCUMENT

**TITLE OF REPORT: INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR
REVIEW 2019/20**

REPORT OF : SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER : FINANCE AND I.T.

COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2019/20, as at the end of September 2019.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2020/21 – 2023/24. The current estimate is a decrease in spend in 2019/20 of £1.936million and an increase in spend in future years of £1.369million. The most significant individual change relates to the withdrawal of the Hitchin Swim Centre Car Park scheme.
- 1.3 To inform Cabinet of the Treasury Management activities in the first six months of 2019/20. The current forecast is that the amount of investment interest expected to be generated during the year is £0.372million. This remains unchanged from the value reported at the first quarter.

2. Recommendations

- 2.1 That Cabinet notes the forecast expenditure of **£5.886million** in 2019/20 on the capital programme, paragraph 8.2 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2019/20 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 and beyond by **£1.369million**.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 Cabinet is asked to note the position of Treasury Management activity as at the end of September 2019.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are quarterly updates with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 6th September 2019.

7. BACKGROUND

- 7.1 In February 2019, Council approved the Integrated Capital and Treasury Strategy for 2019/20 to 2022/23. This was a change from having a separate Capital Programme and Treasury Strategy. The change was in response to guidance from the Ministry for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA). To be consistent with the strategy (and the guidance), the monitoring reports for Capital and Treasury are also integrated.
- 7.2 The Medium Term Financial Strategy for 2019 to 2024 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard

treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

7.3 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2022/23. The service includes:

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

8. RELEVANT CONSIDERATIONS

8.1 The Council has £114.5 million of capital assets that it currently owns. This is unchanged from Quarter 1. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no changes in relation to these since the Strategy was set.

Capital Programme 2019/20

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2019/20 to 2022/23 and the funding source for each capital scheme.

8.3 Capital expenditure for 2019/20 is estimated to be **£5.886million**. This is a reduction of **£1.936million** on the forecast in the 1st quarter report (reported to Cabinet on 30th July 2019). The decrease in spend in 2019/20 is largely due to the reprofiling of projects into 20/21. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2019/20 £M	2020/21 £M	2021/22 to 2023/24 £M
Original Estimates 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
Revised Capital estimates at start of 2019/20	9.220	0.962	2.128
Changes at Q1	-1.398	1.408	0
Changes at Q2 detailed in this report	-1.936	1.450	0.047
Current Capital Estimates	5.886	3.820	2.175

8.4 Table 2 lists the schemes in the 2019/20 Capital Programme that will start or continue in 2020/21:

Table 2: Scheme Timetable Revision:

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

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
Lairage Lift Refurbishment	360	0	-360	Previously on hold due to a review of Car Parks. Now being progressed but the work will not take place until 2020/21.	360
Community Facilities Refurbishment	613	313	-300	Local community groups apply for grants. £0.5M has been awarded since 2017/18. 6 Schemes have been allocated funds totalling approximately £0.3M which are waiting to be drawn down. This budget is dependent on the community groups completing the work and claiming the grant funding. Grants are awarded via a panel which sits when a minimum of 3 grant applications have been received. The panel will consider new application in late autumn/winter (only 1 application has been received so far this year).	300
Green Infrastructure Implementation (GAF)	185	0	-185	Awaiting the adoption of the Local Plan as the sites directly relate to the implementation of the project.	185
Lairage Multi-storey Structural Repairs	121	10	-111	In process of instructing a structural engineer to establish the extent of defects. The structural engineer's report will identify areas that require attention. Timing of the repairs will depend on the urgency of what is identified.	111
Replace SAN	110	0	-110	Dell have agreed to extend the warranty cover by a further year.	110
Dell Servers	65	0	-65	Dell have agreed to extend the warranty cover by a	65

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
				further year.	
Leisure Condition Survey	64	0	-64	Property Services are now going to manage the works which will be built into their 20/21 work programme.	64
Replace Floodlights at St Mary's Car Park	60	0	-60	Power has been restored to existing light columns, however a design review of the lighting is required. This review has been delayed due to other projects and reactive workload.	60
Off Street Car Parks Resurfacing	77	30	-47	Car Parks are in reasonable condition with the potential for one car park to be resurfaced this year. No further works are foreseen in the next couple of years so it is requested that the budget is reprofiled into 2022/23.	47
New Blade Enclosure	32	0	-32	Dell have agreed to extend the warranty cover by a further year.	32
Additional Storage	25	0	-25	Dell have agreed to extend the warranty cover by a further year.	25
Royston All Weather Hockey Pitch	128	0	-128	This project is for the provision of an All Weather Hockey Pitch on the Heath, Royston. As the Heath 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. Also in order for the scheme to go ahead additional external funding is still to be secured.	128
S106	0	128	128	To date, a total of £60k of S106 funds have been released for community schemes with an additional £60K committed.	0
Total Minor (under £25k) slippage on other projects	10	0	-10		10
Total Revision to Budget Profile			-1,369		1,497

8.5 There are also changes to the overall costs of schemes in 2019/20. These changes total a net decrease of £0.567million and are detailed in Table 3.

Table 3: Changes to Capital Schemes Commencing in 2019/20:

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

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Comments
Hitchin Swim Centre Car Park	498	0	-498	In January 2018 the Planning Inspectorate refused the application to build the access road on Common Land. Since then Officers have been looking at alternatives to provide additional parking. None of the projects identified are financially viable.
Storage Facilities	49	0	-49	We are currently undertaking a wide review of the Council's storage needs. Unit 3 in Letchworth is currently used for general storage needs, particularly archived document storage. There was an expectation that the rationalisation of the Council's property would result in more storage being required at Unit 3. However a combination of (1) a move to electronic data storage means a reducing requirement for paper document storage and (2) most of the documents/ items stored in other locations could be disposed of. This means that a mezzanine floor is unlikely to be needed for general storage. However it is known that Burymead Road has both a limited life and capacity for museum storage. A mezzanine floor at Unit 3 would not provide anywhere near the required volume of storage (or the right storage conditions) to replace Burymead Road, but it is possible it could form part of a wider solution.
Lairage Multi-storey Safety and Equality	39	0	-39	Budget no longer required as superseded by £360K allocation for the refurbishment of Lairage Car Park lift

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Comments
NH Museum & Community Facility	30	70	40	The Terrace Area at North Herts Museum is still to be developed and will require planning permission. Quotes and designs are currently being drawn up, with the works expected to be completed by the end of this financial year.
Other minor changes			-21	
Total revision to scheme spend			-567	

Capital Programme 2019/20 Funding onwards

8.6 Table 3 below shows how the Council will fund the 2019/20 capital programme.

Table 3: Funding the Capital Programme:

	2019/20 Balance at 1st start of year £M	2019/20 Estimated Additions £M	2019/20 Funding Used £M	2019/20 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	8.490	0.474	(4.861)	4.103
IT Reserve			(0.005)	
S106 receipts			(0.229)	
Other third party grants and contributions			(0.791)	
Total	8.490		(5.886)	

8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change. This will be kept under review throughout the year. No substantial funds from land sales are forecast until 2021/22.

8.8 The Council's Capital Financing Requirement at 31st March 2019 was negative £5.9 million. Based on current forecasts it is expected to remain negative during 2019/20, which means that the Council does not have a need to borrow to fund capital spend.

Treasury Management 2019/20

8.9 Whilst the Council does not have a need to borrow for capital spend, it still holds historic borrowing that is uneconomical to repay early. Borrowing can also be used for short-term cash flow purposes. During the first six months no long-term borrowing was taken out and no historic borrowing became due for repayment. £2.0M was borrowed for cash flow on 20 June until 1 July at a rate of 0.7%.

- 8.10 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve balances and variations in cash due to the timing of receipts and payments. During the first six months, the Council had an average investment balance of £36.7 million and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices. Officers can confirm that the approved investment limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2019. However, the Council's current account did exceed the £5M maximum limit on 17 July by £74K for one day only. On 17 July the Council had the maximum invested with Building Societies (£18M) and its Money Market fund (£3M) and was not yet set up to deal with foreign banks. Funds were not transferred off of the current account as £6.7M was needed on 19 July to fund expenditure and banks the Council had scope to invest with would not have been willing to take such a short term deposit with a reasonable interest rate.
- 8.11 The Council generated £0.194 million of interest during the first six months of 2019/20. The average interest rate on all outstanding investments at the 30 September was 1.13%. Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £0.372 million of interest over the whole of 2019/20.
- 8.12 As at 30 September the split of investments was as shown in the table below. 7% of total investments (and 18% of the total amount invested in banks) were non-UK banks:

Banks	36%
Building Societies	30%
Local Authorities	31%
Money Market Funds	3%

- 8.13 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30 September. The most risky investment still has a historic risk of default of below 1%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. As stated in paragraph 8.10, all investments have been made in accordance with the Investment Strategy.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 Sept	Historic Risk of Default %
Public Sector Deposit Fund	1.0	0.8293 Variable	AAA	1	0.000
Wirral Metropolitan Borough Council	2.0	0.65	AA	20	0.001
Lloyds Bank	1.0	1.15	A+	35	0.005
Bank of Scotland	1.0	0.8	A+	38	0.006
North Lanarkshire Council	1.0	0.8	AA	45	0.003
Barclays Bank	2.0	1.0	A	55	0.008
Cambridge Bldg Soc	1.0	1.25	*	59	0.026
Australia and New Zealand Bank	1.5	0.8	AA-	69	0.005
North Lanarkshire Council	2.0	0.8	AA	70	0.005
Darlington Bldg Soc	1.0	1.3	*	101	0.044
Santander UK Bank	2.0	0.8	A+	106	0.015
Australia and New Zealand Bank	1.0	0.81	AA-	111	0.007
Coventry Bldg Soc	1.0	0.99	A-	139	0.020
Yorkshire Bldg Soc	1.0	0.96	A-	139	0.020
Surrey Heath Borough Council	3.0	0.75	AA	141	0.009
Lloyds Bank	1.0	1.05	A+	155	0.023
Santander UK	1.0	0.83	A+	168	0.024
Lancashire County Council	1.0	1.1	AA	170	0.011
Derbyshire County Council	3.0	0.9	AA	181	0.012
Hinckley & Rugby Bldg Soc	2.0	1.35	*	206	0.090
Skipton Bldg Soc	1.0	0.92	A-	211	0.089
Dudley Bldg Soc	1.0	1.3	*	219	0.096
Furness Bldg Soc	1.0	1.3	*	245	0.107
Lloyds Bank	1.0	1.25	A+	307	0.044
Marsden Bldg Soc	1.5	1.6	*	479	0.577
Monmouthshire Bld Soc	1.0	1.5	*	605	0.729
	36.0	1.13			

* Unrated Building Societies Historic Risk of Default is based on a Fitch (a credit rating agency) rating of BBB.

9. LEGAL IMPLICATIONS

9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.

- 9.2 Section 151 of the Local Government Act 1972 states that:
“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 9.3 Asset disposals must be handled in accordance with the Council’s Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the duration of the programme it should be anticipated that the total spend over the period could be around £2.342million higher than the estimated budget of £11.831million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council’s capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £1.0k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2019 was negative £6million.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one-year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable).The key risks arising from the project may be recorded on Pentana (the Council’s Performance & Risk management software). Some of the major capital projects have been included in the Council’s Corporate Risks (such as the new North Hertfordshire Museum). The Corporate Risks are monitored by the Finance, Audit and Risk Committee and Cabinet.
- 11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependant on banks and building societies need for borrowing.

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 2019/20 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications.

15. APPENDICES

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

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 Investment Strategy (Integrated Capital and Treasury Strategy)
<https://democracy.north-herts.gov.uk/documents/s4263/Appendix%20A-%20Investment%20Strategy.pdf>

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Project	Service Directorate	Spend Forecasts				Funding				Balance funded from Capital Receipts/ Set-aside receipts
		2019/20 Funding £	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	Funded from capital contributions	Funded from Government Grant	Funded from s106 contributions	Funded from IT Reserve	
40 KVA UPS Device or Battery Replacement	Customers	7,000	0	0	0	0	0	0	0	7,000
Additional PC's - Support Home Working/OAP	Customers	13,000	0	0	0	0	0	0	0	13,000
Additional Storage	Customers	0	25,000	0	0	0	0	0	0	25,000
Alternative to safeword tokens for staff/members working remotely	Customers	0	0	0	0	0	0	0	0	0
Back-up Diesel 40 KVA Generator (DCO)	Customers	20,000	0	0	0	0	0	0	0	20,000
Baldock Town Hall project	Legal and Community	69,600	0	0	0	0	0	800	0	68,800
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Place	164,200	0	0	0	60,000	0	60,100	0	44,100
Cabinet Switches - 4 Floors	Customers	0	0	18,000	0	0	0	0	0	18,000
Cadcorp Local Knowledge & Notice Board Software	Customers	10,200	0	0	0	0	0	0	5,000	5,200
Channel shift - processing of housing register applications	Regulatory	40,000	0	0	0	0	0	0	0	40,000
Core Backbone Switch	Customers	0	0	0	0	0	0	0	0	0
Council property improvements following condition surveys	Resources	79,100	432,800	255,000	0	0	0	0	0	766,900
Customer Self Serve Module	Customers	0	0	0	0	0	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution	Customers	30,000	0	0	0	0	0	0	0	30,000
Cycle Strategy implementation (GAF)	Regulatory	278,000	0	0	0	0	278,000	0	0	0
Decommissioning of Play Areas	Place	103,800	0	0	0	0	0	0	0	103,800
Dell Servers	Customers	0	65,000	0	0	0	0	0	0	65,000
DR Set-up	Customers	49,800	0	0	0	0	0	0	0	49,800
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Customers	0	39,000	0	0	0	0	0	0	39,000
Email Encryption Software Solution	Customers	0	45,000	0	0	0	0	0	0	45,000
Energy efficiency measures	Resources	8,500	0	0	0	0	0	0	0	8,500
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	185,000	0	0	0
Hitchin & Letchworth Outdoor Pool Automatic Chemical Dosing Pumps	Place	20,000	0	0	0	0	0	0	0	20,000
Hitchin Multi Storey Safety and Equalities Act improvements	Regulatory	0	0	0	0	0	0	0	0	0
Hitchin Outdoor Pool Showers and Toilets	Place	9,200	0	0	0	0	0	0	0	9,200
Hitchin Swimming Pool Car Park extension	Place	0	0	0	0	0	0	0	0	0
Hitchin Town Hall Acoustic Panelling	Commercial	30,000	0	0	0	0	0	0	0	30,000
Hitchin Town Hall Additional Bar Facility	Commercial	15,000	0	0	0	0	0	0	0	15,000
Hitchin Town Hall Sprung Floor Replacement	Commercial	75,000	0	0	0	0	0	0	0	75,000
Installation of trial on-street charging (GAF)	Regulatory	50,000	0	0	0	0	50,000	0	0	0
John Barker Place, Hitchin	Regulatory	0	1,096,000	0	0	0	0	270,400	0	825,600
Lairage Multi-Storey Car Par - Structural wall repairs	Regulatory	10,000	110,700	0	0	0	0	0	0	120,700
Laptops - Refresh Programme	Customers	0	6,000	0	0	0	0	0	0	6,000
Leisure Condition Survey Enhancements	Place	0	87,000	0	39,000	0	0	0	0	126,000
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	Regulatory	0	133,800	0	0	0	0	0	0	133,800
Letchworth multi-storey car park - lighting	Regulatory	19,700	0	0	0	0	0	0	0	19,700
Letchworth Outdoor Pool safety surface	Place	10,000	0	0	0	0	0	0	0	10,000
Microsoft Enterprise Software Assurance	Customers	358,000	0	0	450,000	0	0	0	0	808,000
New Blade Enclosure	Customers	0	32,000	0	0	0	0	0	0	32,000
NH Museum & Community Facility	Commercial	69,800	0	0	0	69,800	0	0	0	0
Norton Common Wheeled Sports improvements	Place	37,100	0	0	0	0	0	37,100	0	0
Off Street Car Parks resurfacing and enhancement	Regulatory	30,000	0	0	47,100	0	0	0	0	77,100
PC's - Refresh Programme	Customers	19,800	17,000	17,000	0	0	0	0	0	53,800
Private Sector Grants	Regulatory	60,000	60,000	60,000	60,000	0	0	0	0	240,000
Provide housing at market rents.	Commercial	2,981,500	0	0	0	0	0	0	0	2,981,500
Refurbishment and improvement of community facilities	Legal and Community	312,900	420,000	0	0	0	0	0	0	732,900
Refurbishment of lifts at Lairage Car Park	Regulatory	0	360,000	0	0	0	0	0	0	360,000
Renovate play area Howard Park, Letchworth	Place	0	75,000	0	0	0	0	0	0	75,000
Renovate play area King George V Recreation Ground, Hitchin	Place	75,000	0	0	0	0	0	0	0	75,000
Renovate play area, District Park, Gt. Ashby	Place	75,000	0	0	0	0	0	0	0	75,000
Replace and enhance lighting at St Mary's Car Park	Regulatory	0	60,000	0	0	0	0	0	0	60,000
Replace items of play equipment Holroyd Cres, Baldock	Place	0	10,000	0	0	0	0	0	0	10,000
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	0	10,000	0	0	0	0	0	0	10,000
Replace items of play equipment, Chiltern Road, Baldock	Place	10,000	0	0	0	0	0	0	0	10,000
Replacement SAN	Customers	0	110,000	0	0	0	0	0	0	110,000
S106 Projects	Various	128,800	128,800	0	0	0	0	257,600	0	0
Security - Firewalls	Customers	14,000	0	14,000	0	0	0	0	0	28,000
Software for personalised bills and annual billing.	Customers	0	0	0	0	0	0	0	0	0
Storage Facilities	Commercial	0	0	0	0	0	0	0	0	0
Tablets - Android Devices	Customers	14,000	12,000	15,000	0	0	0	0	0	41,000
Telephony system	Customers	10,600	0	0	0	0	0	0	0	10,600
Town Centre pay & display machines for on-street charging	Regulatory	235,000	0	0	0	0	0	0	0	235,000
Transport Plans implementation (GAF)	Regulatory	250,000	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	250,000	0	37,000	0	13,000
Walsworth Common Pitch Improvements	Place	92,500	0	0	0	83,000	0	2,300	0	7,200

5,886,100	3,820,100	379,000	596,100	462,800	763,000	665,300	5,000	8,785,200
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Treasury Management Update

Quarter Ended 30 September 2019

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Treasury Management Update

Quarter Ended 30 September 2019

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

1. Economic Background

UK. After only tepid annual **economic growth** of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by stock building ahead of the original March Brexit deadline so quarter 2 was expected to be slightly negative and duly came in at -0.2% q/q, +1.3% y/y.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a no deal exit, it is likely that Bank Rate would be cut in order to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.9% in June before edging back to 3.8% in July, (excluding bonuses). Growth in employment fell to only 31,000 in the three months to July, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

As for **CPI inflation** itself, this fell to 1.7% in August and is likely to remain close to 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

The rise in wage inflation and fall in CPI inflation is good news for **consumers** as their spending power is improving in this scenario as the difference between the two figures is now around 2.1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Fed increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July and September in order to counter the downturn in the outlook for US and world growth. There are expectations that it could cut again in December.

EUROZONE. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN. has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

2. Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into. ***The above forecast, and other comments in this report, are based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit.*** Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit on 31 October could well prompt the MPC to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

BOND YIELDS / PWLB RATES. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

What we have seen during the last half year is a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but due to a correlation between US treasuries and UK gilts, which at various times has been strong but at other times weaker, in the UK. However, forecasting the timing of this and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop, (see appendix 4 Eurozone downside risk). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 7 February. It sets out the Council's investment priorities as being:

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

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

Officers can confirm that the approved investment limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2019. However, the Council's current account did exceed the £5M maximum limit on 17 July by £74K for one day only. On 17 July the Council had the maximum invested with Building Societies (£18M) and its Money Market fund (£3M) and was not yet set up to deal with foreign banks. £6.7M was needed on 19 July to fund expenditure so it was not possible to lend longer term to a bank that the Council had capacity to invest with. With the Council now being able to invest with a foreign bank, this should not happen again.

The average level of funds available for investment purposes during the quarter was £37.9M. The Council holds £20.5M core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the first six months of the year was 1.02%. This is the weighted average rate of interest earned on investments held by the Council between 1 April and 30 September. The 1.13% average interest rate shown in the table below is the weighted average rate of interest on outstanding investments on 30 September.

Investments at 30 September 2019

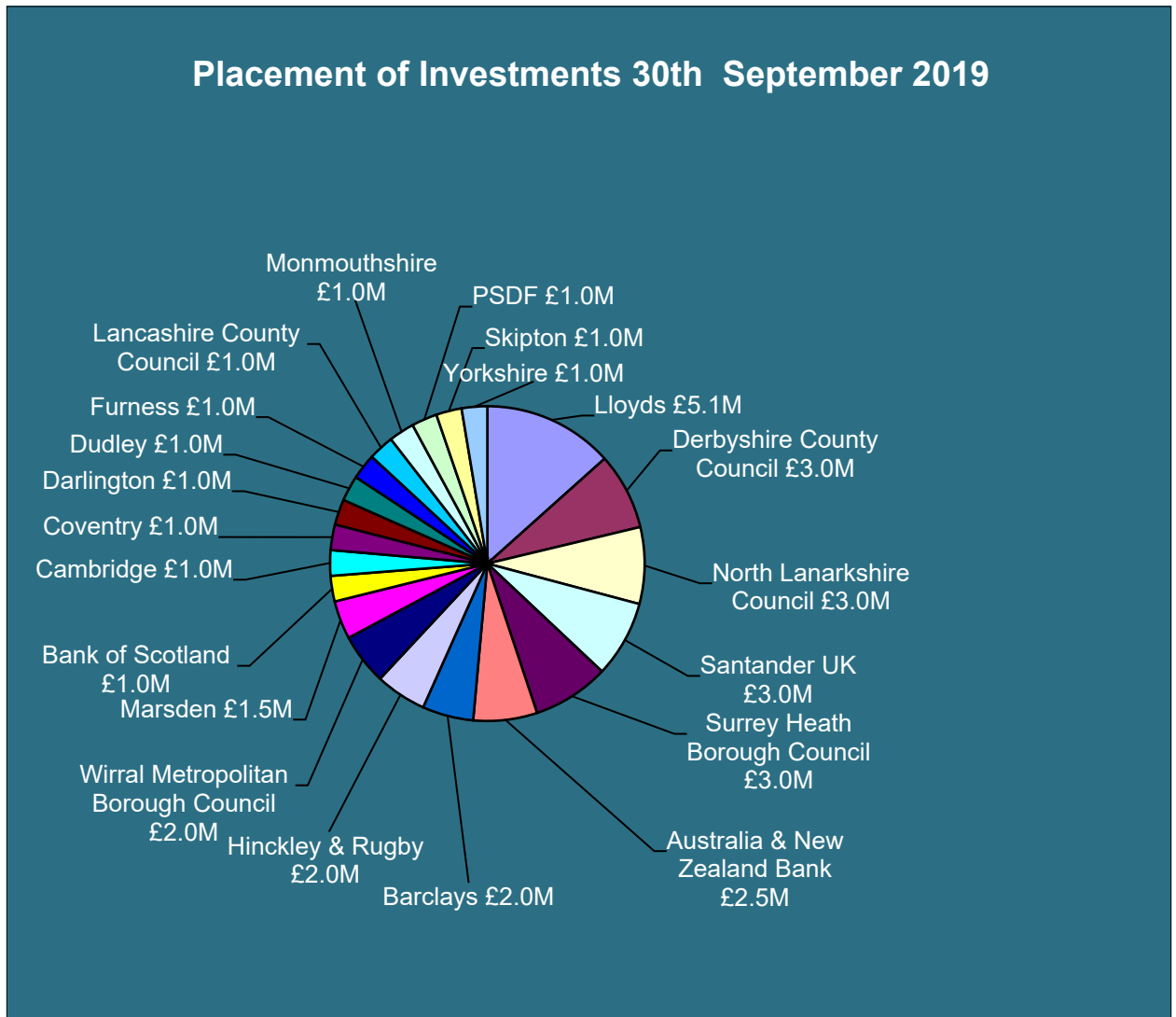
	Amount	Average
	£	Interest Rate %
Managed By NHDC		
Banks	13,600,000	1.00
Building Societies	3,000,000	0.96
Local Authorities	12,000,000	0.86
Money Market Fund	1,000,000	0.82
NHDC To Total	29,600,000	1.00
Managed by Tradition		
Building Societies	8,500,000	1.42
Tradition Total	8,500,000	1.42
TOTAL	38,100,000	1.13

In percentage terms, this equates to:

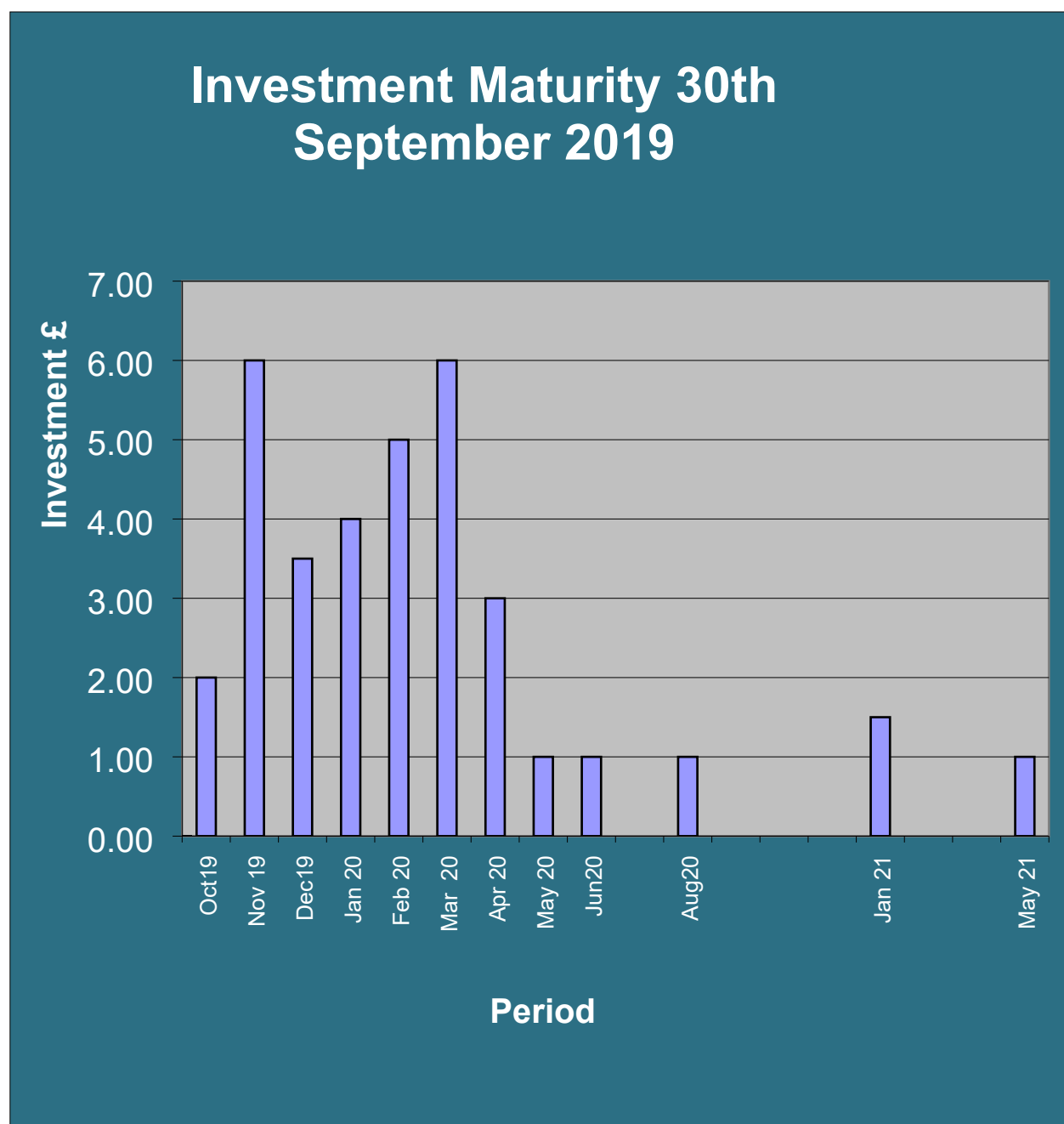
	Percentage
Money Market Funds	3
Local Authorities	31
Banks	36
Building Societies	30

The approved 19/20 strategy is that no more than 60% of investments should be placed with Building Societies with a maximum value of £18M. The value at 30 September was £11.5M

The pie chart below shows the spread of investment balances as at 30 September 2019. This is a snapshot in time that demonstrates the diversification of investments.

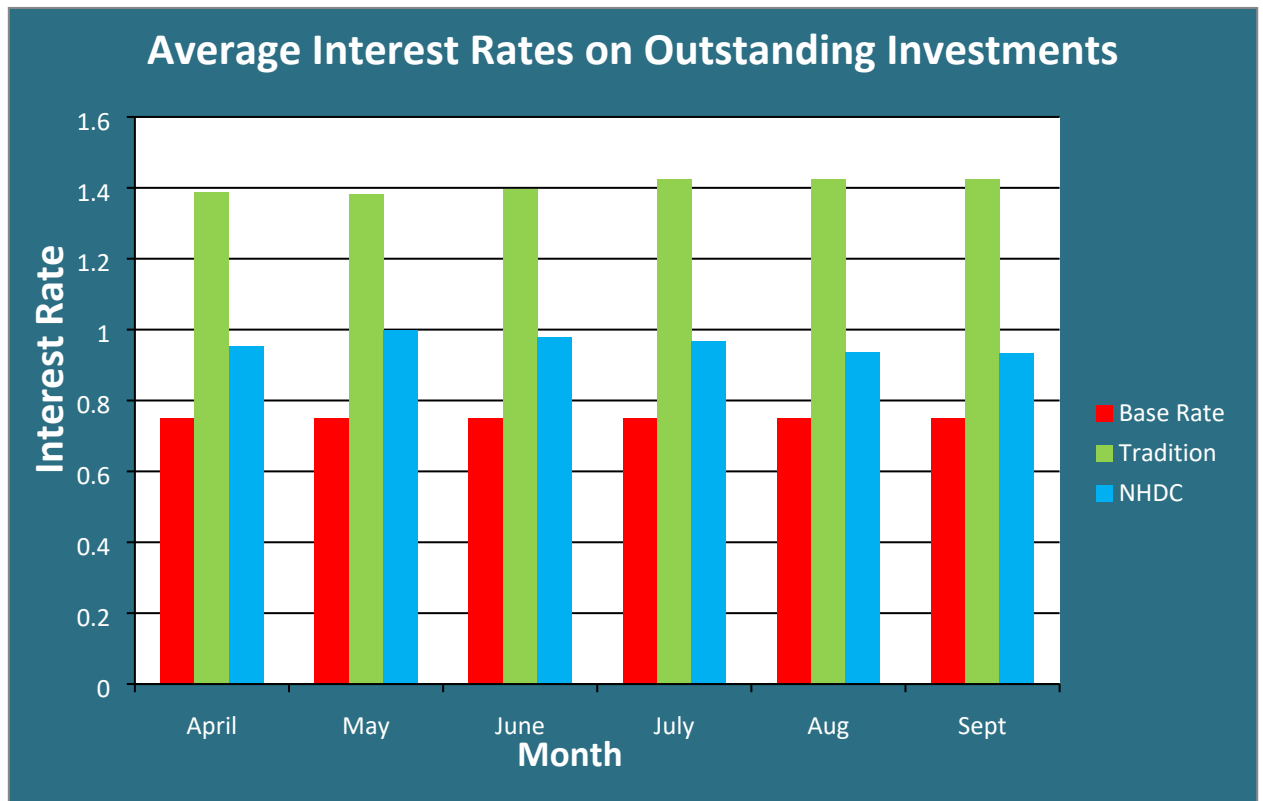


The chart below shows the Council's investment maturity profile. (This does not include the £1.0M held in the Public Sector Deposit Fund Money Market account or £2.1M held in the Lloyds current account which can be called back on any day).



The Council's Original budgeted investment return for 2019/20 was £0.300M. The projection reported in the 1st quarter report was £0.372M and remains unchanged.

The graph below shows the average rate of interest on outstanding investments at 30 September.



The higher rates achieved through Tradition reflect that these are longer-term investments. In general, the Council can currently achieve similar rates for the same length of investment. The Council only undertakes new investments through Tradition where the rate achieved (after fees) are greater than what the Council could achieve for a similar investment.

Treasury indicator below shows the capital value and expected income from Capital Investment assets, alongside any borrowing that is attached to those assets and the expected cost of that borrowing.

Year	Capital value of investment assets £m	Original Expected annual income from investment assets £m	Revised Expected annual income from investment assets £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2019/20	18.899	1.089	1.156	0	0
2020/21	18.899	1.139	1.209	0	0
2021/22	18.899	1.189	1.259	0	0
2022/23	18.899	1.189	1.259	0	0
2023/24	18.899	1.189	1.259	0	0

4. New Borrowing

No long term borrowing was undertaken during the quarter / half year ended 30 September 2019.

However, £2.0M was borrowed for cash flow on the 20 June until the 1 July at a rate of 0.7%

Based on 2nd quarter estimate for capital expenditure, the Council's capital financing requirement (CFR) for 2019/20 is expected to be -£2.43M (-£5.91M at the end of 18/19). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances (internal borrowing). The CFR is negative as the Council has more cash investments than borrowing. The balance of external and internal borrowing is generally driven by market conditions.

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

Loans Outstanding at 30 September 2019:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£431k	9.70

Forecast outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Forecast External £m	Total Debt	Operational Boundary £m	Authorised Limit £m
31 st March 2019 (Actual)	0.440	2.724	3.164		4.1	10
31 st March 2020 (Forecast)	0.423	2.270	2.693		3.6	9
31 st March 2021 (Forecast)	0.405	1.816	2.221		3.1	9
31 st March 2022 (Forecast)	0.387	1.362	1.749		2.6	8
31 st March 2023 (Forecast)	0.367	0.908	1.275		2.0	7
31 st March 2024 (Forecast)	0.347	0.454	0.801		1.5	7

* 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. 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.

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).

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

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

There is a prudential indicator that compares the net cost of financing (i.e. borrowing costs less income generated from investments) with the net revenue budget of the Council. However the indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget	Estimated cost of borrowing as a % of net revenue budget
2019/20	0.042	15.450	0.27
2020/21	0.041	14.808	0.28
2021/22	0.040	14.911	0.27
2022/23	0.039	15.021	0.26
2023/24	0.037	15.021	0.25

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.

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget	Estimated cost of borrowing as a % of net revenue budget
2019/20	0.042	0.372	-0.330	15.45	-2.136
2020/21	0.041	0.417	-0.376	14.808	-2.539
2021/22	0.040	0.516	-0.476	14.911	-3.192
2022/23	0.039	0.526	-0.487	15.021	-3.242
2023/24	0.037	0.584	-0.547	15.021	-3.642

5. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

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

7. Other

A tender was undertaken in September to award a 3 year contract to provide the Council with Treasury advice. The contract was awarded to Link, our current adviser.

APPENDIX 1: Prudential and Treasury Indicators for 2019-20 as at 30 September 2019

Treasury Indicators	2019/20 Budget £'000	30.9.19 Actual £'000
Authorised limit for external debt	9,000	431
Operational boundary for external debt	3,600	431
Gross external debt	2,548	431

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	17	17
12 months to 2 years	18	18
2 years to 5 years	58	58
5 years to 10 years	82	82
10 years to 20 years	15	15
20 years to 30 years	20	20

Prudential Indicators	2019/20 Budget £'000	30.09.19 Actual £'000
Capital expenditure The budget is the expected capital expenditure during the year. The actual total is spend to date. Only at the end of the year will actuals get close to the budget.	7,822	597
Capital Financing Requirement (CFR) The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The year end position reflects the budgeted capital spend during the year. A negative total means that there is no borrowing requirement.	-0,063	-5,903
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream Net expenditure/ (income) from borrowing and investments, as a % of the Council's net revenue. This is negative as the Council is currently receiving a net income from investments.	-1,969	-2,06

**FINANCE AUDIT AND RISK COMMITTEE
5 DECEMBER 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: RISK AND OPPORTUNITIES MANAGEMENT UPDATE

REPORT OF: THE SERVICE DIRECTOR – RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: / PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To provide the Committee with an update on the Corporate risks and the proposed changes to these risks.

2. Recommendations

2.1 That the Committee notes the review /changes to the Corporate risks for the quarter, namely:

- Impact of Anti Social Behaviour on Council Facilities to retain its current risk score of 7

3. REASONS FOR RECOMMENDATIONS

3.1 The responsibility for ensuring the management of risks is that of Cabinet.

3.2 This Committee has responsibility to monitor the effective development and operation of risk and opportunities management.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation has been undertaken with the Senior Management Team (SMT) and the Risk Management Group (this includes the Executive Member for Finance and IT as Risk Management Member 'champion') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 At the September meeting the Committee noted the review of the Brexit risk and the review of the Managing the Councils Finances, both retaining a risk score of 9. The report was approved and referred on to Cabinet. The report was subsequently approved by Cabinet

8. RELEVANT CONSIDERATIONS

8.1 Corporate Risks

- 8.1.1 The Corporate risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana, the Council's performance and risk management software. Table 1 shows the last date that each Corporate risk was reviewed by the risk owner
- 8.1.2 At the Risk Management Group meeting on 6 November, a review of the Impact of Anti Social Behaviour on Council Facilities was discussed. There seems to be an improving situation in Letchworth, partly due to joint work that has resulted in the police charging 8 youths with 28 offences. However there have been some recent incidents at Howard Park. The situation at the Lairage car park in Hitchin got worse and some more actions have been identified to try and individually address specific types of anti-social behaviour. There are ongoing incidents at the BMX Track on Burns Road in Royston. This is resulting in amenities such as litter bins not being replaced as they keep getting damaged. The Grounds team and Community Safety team are working together to identify ways to address it. Overall it is considered that the risk score should remain at 7.

Table 1: Risk and Opportunities Matrix

The dates specified relate to the date that officers last reviewed the risk.

Risks that officers have reviewed since the last FARC meeting have been given a direction of travel arrow.

Likelihood	3 High	4	7 <ul style="list-style-type: none"> • Impact of Anti-Social Behaviour on Council Facilities (29.10.19) ←→ • Income Generation (07.10.19) ←→ • Sustainable Development (24.04.19) 	9 <ul style="list-style-type: none"> • Brexit (07.10.19) ←→ • Local Plan (24.04.19) • Managing the Council's Finances (26.07.19) • Waste Management, Recycling and Street Cleansing (01.08.19)
	2 Medium	2	5 <ul style="list-style-type: none"> • Increased Homelessness (11.10.19) ←→ • Workforce Planning (05.04.19) 	8 <ul style="list-style-type: none"> • Cyber Risks (30.09.19) ←→
	1 Low	1	3 <ul style="list-style-type: none"> • North Hertfordshire Museum and Hitchin Town Hall Project (29.07.19) 	6
		1 Low	2 Medium	3 High
		Impact		

9. LEGAL IMPLICATIONS

- 9.1 The Committee's Terms of Reference include monitoring the effective development and operation of risk management and corporate governance, agreeing actions (where appropriate) and making recommendations to Cabinet. This report gives the Committee the opportunity to review and comment on the high level risks and how they are proposed to be managed.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

- 11.1 The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Council's Corporate risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Corporate Risks are being managed.

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 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different peoples needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications relating to this report, but it should be noted that there is a separate Corporate risk relating to Workforce Planning.

15. APPENDICES

- 15.1 Appendix A – Reviewed Risk – Impact of Anti Social Behaviour on Council Facilities

16. CONTACT OFFICERS

- 16.1 Rachel Cooper, Controls, Risk & Performance Manager
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17. BACKGROUND PAPERS

- 17.1 The risks held on Pentana, the Councils Performance and Risk Management IT system.


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Impact of Anti-Social Behaviour on Council Facilities



Generated on: 30 October 2019

Risk Code	CR65	Risk Title	Impact of Anti-Social Behaviour on Council Facilities
Risk Owner	Ian Couper	Updated By	Ian Couper
Year Identified	2019	Corporate Priority	Attractive and Thriving
Risk Description	<p>As a result of anti-social behaviour in or around Council facilities, there is a risk that:</p> <ul style="list-style-type: none"> - Council facilities suffer from criminal damage - Customer use of facilities reduces, e.g. multi-storey car parks, toilets at Howard Park - Users of facilities experience verbal abuse and intimidation - Members of the public suffer personal injury - Staff, service users and local residents suffer distress <p>This could lead to:</p> <ul style="list-style-type: none"> - Loss of income - Additional expense to rectify resulting damage - An increase in the number of insurance claims - An increased number of complaints - Damage to the Council's reputation 		
Opportunities	<ul style="list-style-type: none"> - The Council optimises the use of its facilities - Council facilities provide an attractive and safe environment for service users - Achievement of relevant budgeted income 		
Consequences	<ul style="list-style-type: none"> - Loss of income - Additional costs - Poor publicity - Detrimental effect on staff, service users and local residents 		
Work Completed	<ul style="list-style-type: none"> - Multi-storey car parks and Howard Park added to Police patrol plans. - Community Protection Manager sent a letter to all head teachers of secondary schools in Baldock, Hitchin and Letchworth regarding anti-social behaviour in multi-storey car parks (February 2019). - Decided to implement a temporary measure to close both multi-storey car parks early each day, with effect from 25 March 2019. - Updated plan for Careline staff who need to park out of hours. - Introduced additional patrols by Arena Security at multi-storey car parks. - 2019 North Hertfordshire Community Safety Partnership Survey highlighted that in general, people were satisfied that the district was a safe place to live. - NHDC officers (Grounds Maintenance and Community Safety) attended Howard Park key stakeholders meetings, which included the Police, to discuss issues and links with other incidents in Letchworth and to agree related actions. - Ensured that all current lighting at Howard Park is operating effectively. - Use of mobile camera at Howard Park to ensure effective coverage of area. - On 17 September 2019, the Service Director- Resources sent a global email providing guidance on dealing with incidents at the Letchworth Multi-Storey Car Park. - Police operation (as part of a multi-agency approach) resulted in 8 youths being charged with 28 offences in Letchworth. Dispersal orders and other initiatives are being used to ensure that this also avoids issues on an ongoing basis. - Arranged for the Park Ranger to be linked into the Letchworth town centre radio system to enable communication with shop owners and the Police if there are issues in the town (the system is also linked to the CCTV control room). - Pupils from Hitchin Boy's School observed being involved in ASB at Lairage. Visit to Hitchin Boy's School by the Community Safety Team to talk to the Assistant Head with responsibility for Safeguarding. Said that they will take action, including staff patrols of the car parks (when 		

	possible). - Community Safety Team visit to Hitchin Police Station. Requested that Lairage Case kept open and PCSO has been assigned.		
Ongoing Work	<ul style="list-style-type: none"> - Central logging of incidents to track the scale of any issues. - Encouraging any criminal incidents to be reported to the Police. - Officer working group investigating longer term options for both multi-storey car parks. - Officer working group implementing agreed actions to help address identified issues. - Monitoring the impact of the temporary measure to close both multi-storey car parks early. - Review permanent cameras (with Heritage Foundation) and lighting at Howard Park to balance effectiveness and cost. - Community Safety Team: A meeting with Police ASB Officer, Crime Prevention and other officers has been arranged for 6 November 2019 to look into how to tackle the rough sleeping/drug using issues. - Will be installing an exit only door on the fire escape exits at Lairage. Relatively low cost solution that may deter the stair wells being used for rough sleeping and drug use. - To investigate use of CCTV at Lairage. To look at cost, effectiveness and the behaviour that it might prevent. - To investigate use of speed bumps at both multi-storey car parks. To make the car parks less enticing for skateboarding. Will also reduce the speed of cars. - Police are aware of issues with ASB and vandalism in the Burns Road area of Royston (BMX Track, Coombes Community Centre and Serby Avenue Play Area). This is leading to damage to the Community Centre (leased), BMX track (leased), bins and benches. Replacement and repair of bins and benches is being limited, as it is likely that they will just be damaged again. To review what can be done by Community Safety Team and Police. 		
Current Impact Score	2	Current Likelihood Score	3
Overall Risk Score	7	Current Risk Matrix	
Date Reviewed	29-Oct-2019	Next Review Date	29-Jan-2020
Latest Note	29-Oct-2019 Risk maintained at the same level. Improvement in Letchworth, but getting worse again in Hitchin. Also escalating ASB at Burns Road BMX track in Royston.		